

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 North Washington Square, on March 18, 2008 at 10:00 a.m.

Members Present

Keith Cooley
Cullen DuBose
Bo Garcia
Michael Kapp (acting on behalf of Kirk Steudle, authorization attached)
Andrew Lockwood (acting on behalf of Robert Kleine, authorization attached)
Jeff Mason (acting on behalf of Jim Epolito, authorization attached)

Call to Order

Jeff Mason called the meeting to order at 10:05 a.m.

Approval of Minutes from February 19, 2008

After review, a motion was made, supported and carried that board meeting minutes from the February 19, 2008, meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*ArvinMeritor OE, LLC
6401 West Fort Street
Detroit, MI 48209*

Camille Walker introduced Jerry Rush, Steve Remstad, and Octavio Williams with ArvinMeritor OE, LLC, along with Kenyetta Hairston-Bridges with the Detroit Economic Growth Corporation. Mr. Rush described the company for the board. ArvinMeritor, Inc., a global supplier of a broad range of integrated systems, modules and components to the motor vehicle industry, was founded in 1909 in southwest Detroit. The company serves light vehicle, commercial truck, trailer and specialty original equipment manufacturers and certain aftermarkets. ArvinMeritor's Light Vehicle Systems (LVS) business group supplies integrated systems and modules to the world's leading passenger car and light truck OEMs. With advanced technology and systems design expertise in apertures, chassis and wheels, LVS combines high-quality components into cost effective, performance-based solutions for virtually every car and light truck on the road today. ArvinMeritor's Michigan presence has grown to 1,229 people in five separate facilities in the state and employs approximately 18,000 people in 25 countries.

Mr. Ramstad provided information about the project for the board. ArvinMeritor's LVS business group has been awarded a multi-year contract to supply front and rear cross-car suspension modules, front coil-over-shock modules, and rear spring assemblies for a major OEM. ArvinMeritor has chosen its facility at 6401 West Fort Street in southwest Detroit (Wayne County) as a possible location for the new business.

Ms. Hairston-Bridges discussed the local contribution for the board. The City of Detroit supports this expansion and anticipates approval of a personal property tax abatement for ten years under PA328 of 1998. Approval of the tax abatement is expected to take place prior to May 1, 2008. This abatement, including Michigan Business Tax reforms, has an estimated value of over \$3.8 million.

Steve Haakenson provided additional information about the project for the board. The company anticipates a \$15.9 million capital investment for equipment purchase and the creation of an additional 119 jobs. The estimated weekly wage for the jobs is \$623. An employment base has been set at 1,289. This was calculated using the average Michigan employee base over the past 4 quarters at ArvinMeritor OE as well as its associated and affiliated companies.

It is estimated that this facility will generate a total of 404 jobs in the state by the year 2016. Total state government revenues through the year 2016, would be increased by \$8.8 million due to the presence of this facility.

ArvinMeritor is also considering Toledo, Ohio for the manufacturing of the suspension models and sequence in Detroit. The financial gap between Detroit and Toledo is largely due to tax benefits received in Ohio. ArvinMeritor estimates a tax differential between \$1.5 million to \$2 million per year.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 119 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for ArvinMeritor OE, LLC and recommends approval of a standard employment tax credit for seven years.

Director Cooley asked what type of employees the company anticipates hiring. Mr. Ramstad stated the company will be hiring light assembly workers as well as technicians.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-15, authorizing a MEGA tax credit for ArvinMeritor OE, LLC, was adopted.

ACTION ITEM

*Boar's Head Provisions Co., Inc.
284 Roost Road
Holland, MI 49424*

Ed Reed introduced Chris Antrup with Boar's Head Provisions Co., Inc. and Randy Thelen with Lakeshore Advantage. Mr. Antrup described the project for the board. Boar's Head Provisions Co., Inc. processes premium meats, cheeses and related condiments under the Boar's Head Brand name throughout the United States. The company is headquartered in Sarasota, Florida and has manufacturing facilities in Virginia, New Jersey, Arkansas, and Michigan. Its origins date back to 1905 when the first delicatessen products were distributed under the Boar's Head Brand name in Brooklyn, New York. In 1933 the company began manufacturing its own products.

In 1999, the company purchased the former Henry House facility located in Holland, Michigan to meet the continuing increase in demand. The facility has undergone several major renovations to keep up with production requirements. The Holland facility is currently at capacity employing 496 people. Boar's Head Provisions must expand its processing and related distribution capabilities and is analyzing its alternatives for expansion through its existing facilities.

Mr. Thelen discussed the local contribution for the board. Holland Township is supporting this project for Boar's Head Provisions and anticipates approval of a real and personal property tax abatement for 12 years under PA198 of 1974. Approval of the tax abatement is expected to take place on March 20, 2008. This abatement has an estimated value of over \$748,000, while Michigan Business Tax reforms provide an additional \$1 million in personal property tax relief.

Steve Haakenson provided additional information about the project for the board. The total investment estimated by Boar's Head is approximately \$24 million. This includes \$14.5 million for land and building purchases as well as new construction and renovations to the existing facility. The remaining \$9.5 million is estimated costs for processing machinery and equipment. The proposed expansion will add approximately 208 jobs over five years paying an average weekly wage of \$662.

It is estimated that this facility will generate a total of 447 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$7.1 million due to the presence of this facility.

The existing Michigan facility is competing with another existing facility the company has in Forrest City, Arkansas. The upfront construction and equipment cost results in a difference of approximately \$7 million in favor of the Arkansas location.

In addition to the MEGA tax credit, the MEDC is recommending approval for CDBG funds to support the construction of a wastewater treatment system up to \$500,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 208 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Boar's Head Provisions Company, LLC, and recommends approval of a standard employment credit for seven years.

Director Cooley asked why the company decided to expand in Michigan instead of Arkansas. Mr. Antrup stated the reason the company chose Michigan is primarily due to the work ethic of the citizens of Michigan.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-16, authorizing a MEGA tax credit for Boar's Head Provisions Company, LLC, was adopted.

ACTION ITEM

*Brose Jefferson
c/o Brose North America
3933 Automation Avenue
Auburn Hills, Michigan 48091*

Martina Schlagwein introduced Jan Kowal and Ronald Eisenhart with Brose Jefferson along with Diana Kolakowski from the City of Warren, and Steve Cohen from Oakland County. Ms. Kowal described the company for the board. Brose Jefferson and Brose North America are affiliates of parent, Brose International, founded in Germany in 1919. Brose Jefferson, a new manufacturing entity established in 2008, is a leading supplier of window regulators, door systems and seat adjusters to automotive OEMs. Brose North America was established in Auburn Hills in 1993 and is Brose International's North American headquarters. Currently employing 242 people, the Brose North America oversees five manufacturing facilities in the region: Chicago; Tuscaloosa; London, CA; Queretaro, MX; and Puebla, MX. Overall 2007 production sales in the region were \$500 million.

Mr. Eisenhart described the project for the board. To support the new business awards to manufacture door systems and the potential acquisition of Continental, Brose is considering locating a new manufacturing facility in Warren and expanding its headquarters operation in Auburn Hills. The initial capital investment to lease, renovate, and equip the manufacturing facility is expected to be approximately \$6.3 million, with total investment over five years reaching approximately \$23 million.

Ms. Kolakowski discussed the City of Warren's contribution for the board. The City of Warren approved a 50% abatement of the company's new personal property taxes under PA 198 for ten years at its March 11 City Council meeting. The value of this abatement is approximately \$662,000.

Mr. Cohen discussed the City of Auburn Hills' contribution. The City of Auburn Hills approved a 50% abatement of the company's new personal property taxes under PA 198 for eight years at its March 12 City Council meeting. The estimated value of this abatement is \$457,000.

Toni Brownfield provided additional information about the project for the board. Because Brose North America currently has an active MEGA credit, the new manufacturing and headquarter jobs will be monitored separately from the existing MEGA credit. In order to turn on this credit, Brose Jefferson and Brose North America will need to maintain a statewide base of 242. Average weekly wages for the manufacturing facility in Warren will be \$883.

Brose North America, which will create headquarter jobs, will maintain a statewide base of 338. This base is comprised of 78 base jobs plus 260 maximum qualified new jobs in their original MEGA credit. Average weekly wages for the headquarters operation in Auburn Hills will be \$1,365. Over the next five years, it is anticipated that these two facilities will create up to 517 new jobs.

It is estimated that this facility will create a total of 1,834 jobs in the state by the year 2015. It is also estimated that the project would increase total state government revenues through the year 2015, by \$33.9 million due to the expansion of this operation.

The alternative site being considered for the manufacturing facility, as well as supporting growth for headquarters functions, is Chicago, Illinois. Brose has an existing facility in Chicago with readily-available additional lease space it could acquire to accommodate new employees. In lieu of expanding the current HQ facility, strong consideration is being given to re-locating a business division to a plant site, freeing space. This follows Brose's relocation pattern in Germany. When comparing the Michigan and Illinois locations, the company estimates that wage rates in Illinois are significantly lower.

The Michigan Economic Development Corporation has offered an Economic Development Job Training grant in the amount of \$65,000 to assist the company with training needs of up to 130 employees at \$500 per employee.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for seven years, for up to 517 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Brose Jefferson and recommends approval of a standard employment credit for seven years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-17, authorizing a MEGA tax credit for Brose Jefferson, was adopted.

ACTION ITEM

*North American Bancard, Inc.
969 Chicago Road
Troy, Michigan 48083*

Jerome Katz introduced Gary Rutledge with North American Bancard, Inc. and Mark Adams from Oakland County. Mr. Rutledge described the project for the board. North American Bancard, Inc. (NAB) was formed in 1992, and has historically operated in Troy. The company has built itself as a leader in the electronic payments industry by offering multifaceted payment solutions to merchants needing the ability to process credit card transactions seamlessly. The company currently employs 214 full time people at its location in Troy, Michigan.

NAB has developed a proven business model, established substantial and sustainable growth in recent years, generated the financial success to make necessary long-term investments, and cultivated a competitive advantage for the company to seize the opportunity for market growth. With growth being inhibited only by its current building space constraints, NAB is considering an expansion/relocation of its Troy facility. The growth of the company will include a significant increase in its sales force, which will require necessary support staff, including managers and technicians for its NAB services and solutions.

Mr. Adams discussed the local contribution for the board. Oakland County supports the NAB expansion of operations and has dedicated over 45 hours of staff time to this project. Staff time is valued at \$1000. In addition, Oakland County will support the company through offering a job fair or other appropriate recruitment strategies and, assuming the company is eligible, \$50,000 in Workforce Investment Act training funds for training new and retained employees.

In addition, Automation Alley, an organization that drives the growth and image of Southeast Michigan's technology economy through a collaborative culture that focuses on workforce and business development initiatives, supports the NAB project through an "in kind" donation of a two year foundation level membership for the company, valued at \$30,000.

Amy Deprez provided additional information about the project for the board. NAB has identified a new facility in Troy and proposes to invest over \$25 million to purchase, renovate and outfit this location and will create up to 1500 jobs paying an average weekly wage of \$672.

It is estimated that this facility will create a total of 1,899 jobs in the state by the year 2019. It is also estimated that the project would create total state government revenues through the year 2019, of \$31.7 million due to the creation of these new jobs.

Alternatively, NAB has received an incentive package from Florida, valued at \$6.5 million, to locate their operations there. Additionally, the company identified several other cost disadvantages associated with expanding in Michigan, including the significant implications of the Michigan Business Tax on the service industry and the limited availability of commercial real estate offering adequate parking for operations with high density usage of space.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years, for up to 1500 net new employees. In order for the company to collect the credit in years 8, 9 and 10, the company must create 800 net new jobs and in years 11 and 12 they must create 1,000 net new jobs. Failure to meet the job creation thresholds will result in NAB forfeiting the remaining five or two years respectively.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for North American Bancard, Inc. and recommends approval of a MEGA employment tax credit for 12 years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-18, authorizing a MEGA employment tax credit for North American Bancard, Inc., was adopted.

ACTION ITEM

*Paragon Metals, Inc.
13925 Ballantyne Corporate Place, Suite 450
Charlotte, NC 28277*

Tracy Freeman introduced Michael Smith and Jeff Kvilhaug with Paragon Metals, Inc., Eric Zuzga representing the Township of Quincy, and Reb Turner from Hillsdale County. Mr. Smith described the project for the board. Paragon Metals, Inc., a manufacturer and supply chain manager of engineered precision components primarily to the U.S. and European automotive, truck, and general original equipment manufacturers, began operations in 1991 at their current headquarters in Charlotte, North Carolina. The products provided by Paragon Metals are machined metal castings and forgings specifically designed and manufactured to the customer's specifications. Two examples of these precision components are the Tower Support for an automotive rear-wheel transmission assembly and a Carrier Support for a large truck transmission assembly. Paragon Metals, Inc. also has an office in Shanghai, China. Paragon Metals has 20 employees in Charlotte.

Paragon Metals has been planning to expand operations in 2008 to include their own manufacturing and machining plant in the United States. Some of the new location will be taking work that is currently manufactured in China. The company unsuccessfully attempted to create a joint venture operation with Southern Michigan Tool in Hillsdale, but have found a suitable location in Quincy, Michigan in Branch County.

Mr. Zuzga discussed the local contribution for the board. The Township of Quincy supports this project and anticipates approval of a personal property tax abatement for 12 years under PA198 of 1974. This will be on \$2.7 million of estimated machinery and equipment investment. The Township of Quincy will also provide additional abatements at the time for new investment at the proposed facility. This abatement has an estimated value of \$470,000.

Steve Haakenson provided additional information about the project for the board. Paragon Metals expects to hire 130 employees over the next five years at an estimated average weekly of \$684. The proposed project in Quincy will lease an existing 103,000 sq. ft. facility. Other investment will include \$7 million in machinery and equipment such as CNC turning machines, CNC cylindrical grinders, Fanuc rodrills, and racing arms.

It is estimated that this facility will generate a total of 235 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$3.1 million due to the presence of this facility.

Paragon Metals is also considering locating in Lancaster, South Carolina. While the initial capital investment appears to be comparable, costs relating to business operations in Lancaster, SC over a five year period appear to be moderately lower. The gap is estimated at slightly over \$2 million. The driving factor behind selecting a location in Michigan has to do with the proximity to our major customers.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 130 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Paragon Metals, Inc. and recommends approval of a rural employment tax credit for seven years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-19, authorizing a MEGA rural employment tax credit for Paragon Metals, Inc., was adopted.

ACTION ITEM

*MyBuys, Inc.
One Lagoon Drive #120
Redwood City, CA 94065*

Karen Lee introduced Drew Stirton with MyBuys, Inc. and Tim Robinson from Ann Arbor SPARK. Mr. Stirton described the company for the board. MyBuys, a privately funded enterprise that launched its services in October of 2006, is a 1:1 personalized product recommendation service for online retailers. The company builds deep profiles of consumer preferences and applies advanced algorithms combined with optimization techniques to generate personalized recommendations for each consumer. MyBuys creates its own proprietary software that determines what individual consumers want in order to deliver the most precise and relevant product recommendations and offers for their ecommerce customers. Current operations are located in Redwood City, CA with 50 employees. The headquarters will remain in Redwood City. The proposed expansion is being evaluated to significantly expand their continued development of ecommerce information marketing.

Mr. Robinson discussed the local contribution for the board. The City of Ann Arbor will be providing local assistance by paying the \$1,000 application fee for this project. In order to accommodate this project, Ann Arbor Spark will also be providing free rent for 4 months to MyBuys, valued at \$4,740.

Steve Haakenson described the project for the board. MyBuys is planning to develop new solutions that require new engineering of their current product, processes and marketing strategies to approach the Small Medium Business ecommerce market. This will require a significant expansion to support their expected growth into new markets. The proposed project is expected to create a total of 250 jobs over the next five years, paying an average weekly wage of \$993. It would also include a total capital investment of over \$5.4 million during the next five years. This does not include the company's consideration to move its rapidly expanding server farm to the selected expansion site. They anticipate the cost of this expansion will be \$5 million within 3 years and create an additional 12 jobs to manage the server farm.

It is estimated that this facility will generate a total of 606 jobs in the state by the year 2018. Total state government revenues through the year 2018, would be increased by \$11.8 million due to the presence of this facility.

MyBuys is considering locating their expansion in either Ann Arbor, Michigan or Austin, Texas. Austin has a large existing talent base for the work that is required in the development and servicing of their software. MyBuys has estimated a cost savings at greater than \$4 million associated with recruiting, hiring, and time to market expenses over the first 5 years of the expansion. The CEO of MyBuys is a University of Michigan alumnus and is considering Ann Arbor because of this connection and has been able to develop a relationship with the University that is expected to benefit their growth and help educate University students.

MyBuys has already hired two individuals to determine location for the expansion and as their sales management. Both were hired with the understanding that they may likely be moving to a new facility or the headquarters in Redwood City. Therefore the Michigan Economic Development Corporation recommends that the Board authorize a look back agreement, which will allow the company to count two additional jobs created since December 10, 2007, which is less than 120 days prior to the execution of the MEGA Agreement. The look back is factored into the first years job creation numbers and is requested in order to help aid the cash flow at MyBuys' in the development stage of the business.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology look-back employment tax credit for 10 years, for up to 250 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for MyBuys, Inc. and recommends approval of a high-technology look-back employment tax credit for 10 years.

Director Cooley asked if consumers were aware of MyBuys' presence. Mr. Stirton stated that the services the company provides are invisible to the consumers.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-20, authorizing a MEGA high-technology look-back employment tax credit for MyBuys, Inc., was adopted.

ACTION ITEM

*Ricardo, Inc.
40000 Ricardo Drive
Van Buren Township, Michigan 48111*

Jeff Sand introduced Clive Wotton with Ricardo, Inc. and Bryce Kelley from the Charter Township of Van Buren. Mr. Wotton described the project for the board. Ricardo, Inc. is a leading provider of technology, product innovation, engineering solutions and strategic consulting to the world's automotive, transport and energy industries. With a global network of advanced and well-equipped technical centers, Ricardo serves a wide and balanced customer base represented by the leading global automakers, vehicle component and system manufacturers, and automotive regulatory agencies. The company also serves motorcycle, heavy duty truck, off-highway, military vehicle, marine and locomotive propulsion system manufacturers, as well as leading teams in all formula of motorsport. The company's new energy customers cover developers and investors in wind, wave and tidal power systems as well as energy efficiency improvement technologies, micro CHP and fuel cells and their associated control and electrical systems.

The need to minimize the environmental impact of future vehicles is a major driver for the company's own technology research program. Recent benefits of this approach are apparent, for example, in the leading position Ricardo now occupies in the development of hybrid vehicle systems and of clean diesel and gasoline engine technologies offering improved fuel economy, reduced CO2 and low regulated exhaust emissions. Some of the technology and processes developed in the automotive field are finding rapid application in the new energy sector. The company currently employs 262 associates in Michigan.

Battery pack development for hybrids is a new technical specialty with limited Industry experience available to allow suppliers to meet the exacting automotive requirements for cost, safety and reliability. While battery test providers exist, few have experience or facilities to meet automotive safety requirements. To address this need, Ricardo proposes to establish a battery test center at their location in Van Buren Township. The test center and associated equipment will be used to cycle batteries as part of the engineering design and development work needed to get these systems production ready. The company anticipates that when the facility is fully operational it will create up to 32 new jobs, paying an average weekly wage of \$1,558 and will include an investment of over \$2 million dollars.

Van Buren Township supports this expansion and anticipates approval of a property tax abatement for 8 years under PA198 of 1974. Approval of the tax abatement is expected to take place on March 18, 2008 and has an estimated value, including Michigan Business Tax benefits, of \$74,200.

Amy Deprez provided additional information about the project for the board. It is estimated that this facility will generate a total of 48 jobs in the state by the year 2018. Total state government revenues through the year 2018, would be increased by \$1.2 million due to the presence of this facility.

While an existing Ricardo facility in Illinois is also being considered for the test facility, the establishment of a center of excellence in Michigan will allow a fast track for current and future energy storage system development -- particularly in cooperation with Michigan-based automotive OEMs. This center will allow Ricardo to develop world-class capabilities in the design and manufacture of energy storage systems, benefit hybrid and plug-in hybrids, and should help significantly reduce the cost of hybrids battery systems.

The battery center has the ability to serve both automotive OEMs and battery developers. Though the Michigan facility has the benefit of being in close proximity to the largest domestic automotive OEMs, this is not the same for the majority of the battery engineering companies. The Chicago facility offers a closer proximity to these battery development companies and also distances the company the stigma of being viewed as purely “rust-belt” automotive consultancy.

The company is a qualified high-technology business, whose primary business activity is advanced vehicle technology, as defined in the Act.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 32 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Ricardo, Inc. and recommends approval of a high-technology employment credit for 10 years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-21, authorizing a MEGA high-technology employment tax credit for Ricardo, Inc., was adopted.

ACTION ITEM

*Sakti3
4663 Erin Court
Ann Arbor, Michigan 48105*

Valerie Hoag introduced Ann Marie Sastry with Sakti3 and Tim Robinson from Ann Arbor SPARK. Dr. Sastry described the company for the board. Sakti3 is a startup company that intends to develop and commercialize an advanced manufacturing method for high power batteries primarily for placement in electric vehicles. The premise of this new manufacturing process is to produce batteries capable of withstanding the rigors of automotive usage.

Mr. Robinson discussed the local contribution for the board. The City of Ann Arbor will be providing local assistance by paying the \$1,000 application fee for this project.

Valerie Hoag provided information about the project for the board. The company intends to lease a facility in the City of Ann Arbor with a total capital investment of approximately \$1.1 million including initial leasehold improvements, furniture and fixtures, machinery and equipment and computers. The proposed project would create a total of 112 over the next five years, paying an average weekly wage of \$1,263.

It is estimated that this facility will generate a total of 230 jobs in the state by the year 2018. Total state government revenues through the year 2018, would be increased by \$7.63 million due to the presence of this facility.

Sakti3 has attracted a Series A venture capital investment, of \$2 million, from Khosla Ventures. Khosla Ventures, headquartered in Menlo Park, California is a prominent venture capital firm involved in alternative energy investments. Since the company is a startup, Khosla is placing strong pressure for it to locate in California to be closer to the investor group, electronics industry, and existing research clusters in the area.

The company is a qualified high-technology business, whose primary business activity is Alternative Energy Technology, as defined in the Act.

Sakti3 has requested a job credit look back to March 10, 2008. The rationale for this request being that the technology for this product is very specialized and there is a limited pool of qualified candidates from which to choose. Typically the competition for these types of engineers is fierce with many offers being accepted in California in lieu of Michigan. The company has an immediate need to hire two PhD level scientists in the areas of Material Science and Mechanical Engineering respectively. Dr. Sastry has identified two excellent candidates, and this look back will assist her in her efforts to secure a commitment from both.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 112 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Sakti3 and recommends approval of a high-technology look-back employment credit for 10 years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-22, authorizing a MEGA high-technology look-back employment tax credit for Sakti3, was adopted.

ACTION ITEM

*Hotel Holdings Monroe, LLC
6407 Valencia Drive, NE
Rockford, Michigan 49341*

Jim Paquet introduced Brian Beukema with Hotel Holdings Monroe, LLC, John V. Byl with Warner, Norcross, & Judd, LLP, and Kara Wood from the City of Grand Rapids. Mr. Beukema discussed the project for the board. Hotel Holdings Monroe, LLC plans to demolish a vacant building and construct a new nine story hotel at 710, 720 and 748 NW Monroe Avenue in the City of Grand Rapids. The project involves the construction of a new 185,000 square foot building, which will include a 238 room hotel, limited retail, a restaurant, meeting room/banquet facilities and other amenities including associated parking. The hotel will have a unique design and will provide the downtown area with a mid-range hotel that will provide additional support for the convention and tourism industry in Grand Rapids. Construction of the project is expected to begin this spring, with completion anticipated by fall of 2009.

Ms. Wood provided information about the Renaissance Zone for the board. The property is located in a Renaissance Zone and the Michigan Strategic Fund Board approved an extension of the zone to 2023 on January 23, 2008. The estimated value of the Renaissance Zone extension is approximately \$5 to \$6 million.

Jim Paquet provided additional information about the project for the board. The project is expected to create 150 new permanent full-time jobs, with average wage of \$11.50 per hour. Total capital investment is expected to be \$37,200,000, with eligible investment anticipated at \$34,590,000.

The project is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit and is a facility as verified by the Michigan Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on February 19, 2008.

Brownfield MBT Credits are based on several criteria outlined in the statute. These criteria have been met.

Hotel Holdings Monroe, LLC is a single purpose entity formed for the purpose of completing this development, and as such has no operating history. However, its members are part of Suburban Inns, which has brought hotels to Southwest Michigan since 1979, including Holland and Grandville. Based on the pro forma, the project appears both financially and economically sound. The brownfield credit will generate significant equity to assist in securing conventional lender financing.

The eligible investment to be undertaken by Hotel Holdings Monroe, LLC includes:

Demolition	\$	90,000
New Construction		30,800,000
Addition of Machinery & Equipment	+	<u>3,700,000</u>
	\$	34,590,000

Recommendation

The Brownfield Redevelopment staff recommends approval of a MEGA MBT Brownfield Redevelopment Credit of 10% of the eligible investment, not to exceed a \$3,459,000 credit.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee has reviewed the proposed brownfield MBT redevelopment tax credit request for Hotel Holdings Monroe, LLC and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-23, authorizing brownfield MBT redevelopment tax credit for Hotel Holdings Monroe, LLC, was adopted.

ACTION ITEM

*Two West Fulton, LLC
15 Ionia SW, Suite 630
Grand Rapids, Michigan 49503*

Jim Paquet introduced Sam Cummings with Two West Fulton, LLC, John V. Byl with Warner, Norcross, & Judd, LLP, and Kara Wood from the City of Grand Rapids. Mr. Byl discussed the project for the board. Two West Fulton, LLC was approved for a small SBT credit on December 20, 2006 for a project at 1 South Division, Grand Rapids, Michigan. The original SBT credit was granted for a project described as the construction of 74 residential condominiums, public parking, and 26,000-39,000 square feet of retail development with total capital investment anticipated at \$21,700,000.

Due to the significant changes in Michigan's economic climate and poor market conditions for condominiums, the original project is no longer being considered and the site remains vacant. The original \$1 million SBT credit has been rescinded and is no longer valid.

Mr. Cummings provided additional information about the project for the board. The new project at the same location will consist of the construction of 66 residential apartment units with approximately 262 parking spaces which will be included in an attached parking structure. The project will also include between 32,000-39,000 square feet of retail development, including a performing arts theater, art gallery, and other retail uses.

Ms. Wood discussed the local assistance for the board. The Grand Rapids Downtown Development Authority has committed \$724,500 for public infrastructure related to the project. The applicant is also applying for New Market Tax Credits. Once constructed, the deck will be sold to the City of Grand Rapids which will own and operate the public parking.

Jim Paquet discussed project eligibility for the board. The project is expected to create 38 new fulltime jobs, with wages ranging from minimum wage up to \$28.85 per hour. Total capital and eligible investment is anticipated to be approximately \$34,000,000.

The project is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit and has been deemed a facility as verified by Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the City of Grand Rapids on February 19, 2008.

Brownfield MBT Credits are based on several criteria outlined in the statute. These are criteria have been met.

Two West Fulton, LLC is a single purpose entity formed for the purpose of completing this development, and as such has no operating history. However, its members have been actively involved in the redevelopment of Grand Rapid's historic downtown and near neighborhood areas. Based on the pro forma, the project appears both financially and economically sound. The brownfield credit will generate significant equity to assist in securing conventional lender financing.

The developer expects to incur expenses due to brownfield conditions that will not be reimbursed with tax increment financing. There is a substantial amount of low income housing in the area. The prevalence of low income housing has created significant marketing challenges for developers in this area.

The eligible investment to be undertaken by Two West Fulton, LLC includes:

New Construction	\$ 34,000,000
Total eligible investment	\$ 34,000,000

Recommendation

The Brownfield Redevelopment staff recommends approval of a MEGA MBT Brownfield Redevelopment Credit of 10% of the eligible investment not to exceed a \$3,400,000 credit.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee has reviewed the proposed brownfield MBT redevelopment tax credit request for Two West Fulton, LLC and recommends approval.

Mr. Cummings discussed the effect the Michigan Business Tax has on developers in Michigan.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-24, authorizing a brownfield MBT redevelopment tax credit for Two West Fulton, LLC, was adopted.

ACTION ITEM

*Leelanau County Brownfield Redevelopment Authority
Former Leelanau County Complex Redevelopment Project*

Peter Anastor introduced Mac McClelland with Otwell Mawby and David Shiflett from Leelanau County. Mr. McClelland discussed the project for the board. The project is the redevelopment of the former Leelanau County Complex, which includes seven parcels of property and five buildings owned by Leelanau County. As part of the redevelopment, four buildings previously used by the county will be demolished, including the Court House, MSU Extension and Inspection offices, and two other administrative office buildings. The remaining building, the old single story historic jail, would remain or be moved to another location. It is anticipated, the project will result in 20 multiple family units, and 6 single family homes.

Peter Anastor provided additional information about the project for the board. The overall investment for the development is anticipated to be \$10.4 million, with investment for MEGA eligible activities, including lead and asbestos abatement, as well as demolition of the four buildings being approximately \$350,750. The family housing development fits in with the Leland Township Master Plan and zoning ordinance, and will place the vacant government structure into a more productive use.

The project is located within the boundaries of Leland Township, Leelanau County, and has been deemed a facility as verified by the DEQ. Leland Township is not a “qualified local governmental unit,” but is eligible to provide demolition and lead and asbestos removal as provided under 2007 PA 204. The property is the subject of a Brownfield plan, duly approved by the County of Leelanau on February 19, 2008, and was concurred with by Leland Township on February 11, 2008.

Brownfield Work Plan approvals are based on several criteria outlined in the statute. These criteria have been met.

The project will result in a significant public benefit to Leland Township and Leelanau County. First, it will result in the redevelopment of a vacant Leelanau County government complex, replacing it with single and residential family housing. Second, it will also place the property on the tax rolls, rather than remaining a county owned vacant property. In addition, the development is consistent with the Leland Township Master Plan and the Leelanau County General Plan, providing residential housing in a downtown walkable community.

Several contaminants exceeded residential drinking water protection criteria, including lead, arsenic, iron and zinc. Eligible activities will focus on the delineation of the suspected impact and mitigation of exposure pathways. Due care activities will be undertaken to prevent exacerbation of pre-existing contamination and contaminated soil will be removed.

Leelanau County is contributing local Brownfield TIF in conjunction with this project.

There are 27.3726 mills available for capture, with total school operating mills equaling 16.9130 mills (62%) and local tax capture equaling 10.4596 mills (38%). It is anticipated that half the property will be non-homestead, therefore reducing the state school millage available for capture by 10.9130 to 6 mills (36%) of the total 16.9130 available for these properties. The tax capture breaks down as follows:

<u>RESIDENTIAL (Homestead):</u>	
School tax capture (36%)	\$ 48,014
Local tax capture (64%)	\$ 83,701
TOTAL	\$ 131,715

RESIDENTIAL (Non-Homestead):

School tax capture (62%)	\$	135,333
Local tax capture (38%)	\$	<u>83,702</u>
TOTAL	\$	219,035

OVERALL:

School tax capture (52%)	\$	183,347
Local tax capture (48%)	\$	<u>167,403</u>
TOTAL	\$	350,750

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$	200,000
Lead and Asbestos		<u>100,000</u>
Subtotal	\$	300,000
Contingency (15%)	\$	45,000
Work/Brownfield Prep & Review	+	<u>5,750</u>
TOTAL	\$	350,750

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$350,750, described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$183,347.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan request from the Leelanau County Brownfield Redevelopment Authority for the Former Leelanau County Complex Redevelopment Project and recommends approval of school tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-25, authorizing the capture of local and school operating taxes for the Leelanau County Brownfield Redevelopment Authority for the Former Leelanau County Complex Redevelopment Project, was adopted.

ACTION ITEM

*City of Southfield Brownfield Redevelopment Authority
Comau Southfield Redevelopment*

Christine Roeder introduced Edward Plawecki and Keith Rochon with Comau, Inc., Kurt Brauer with Bodman, LLP, Rochelle Freeman from the City of Southfield, and Mark Adams from Oakland County. Mr. Plawecki described the project for the board. The project is the redevelopment of an underutilized property that is currently vacant. The project will result in the reuse of the 115,000 square foot facility that Comau owns in Southfield, Michigan. The reuse of the facility is the first step toward ensuring that Comau can cost effectively stay in Michigan.

The redevelopment will consist of a complete interior remodel, including reconfiguring the interior office and administrative spaces to allow for more functional use of the space. In addition, the redevelopment will prepare the property for the addition of equipment and machinery necessary for the reuse of the property, including upgrades to utilities and onsite infrastructure. Also the redevelopment will result in the removal of building materials impacted by mold and remediation of the underlying conditions contributing to the mold present at the property.

Peter Anastor provided additional information about the project for the board. The project will result in approximately 175 jobs being consolidated from Comau's Michigan operations. The 175 jobs will come from a leased facility in Plymouth Township, which expires in June 2008. The company expects to spend approximately \$300,000 on Eligible Activities, including interest costs, and approximately \$1.5 million in eligible investment for a total project cost of approximately \$1.8 - \$2 million.

The project is located within the boundaries of the City of Southfield, a qualified local governmental unit and has been deemed functionally obsolete by a level 4 assessor. The property is the subject of a Brownfield plan, duly approved by the City of Southfield on March 17, 2008.

Brownfield Work Plan approvals are based on several criteria outlined in the statute. These criteria have been met.

The project will result in a significant public benefit to the City of Southfield. First, it will result in the redevelopment of an underutilized property that is currently sitting idle and in need of renovation. Second, it will also place new personal property on the tax rolls for the City of Southfield, rather than being shipped to Alabama, Mexico or China. In addition, it will complement the redevelopment that has recently occurred in the City of Southfield and will help spark new redevelopment projects in the area.

Comau is applying for a Brownfield Redevelopment MBT credit of \$144,224, in addition to the Brownfield TIF in conjunction with this project.

For the real property, there are 51.5219 mills available for capture, with school millage equaling 24.9896 mills (49%) and local millage equaling 26.5323 (51%). For new personal property, there are a total of 27.5219 mills available for capture, with school millage equaling 0.9896 mills (4%) local millage equaling 26.5323 (51%). The City of Southfield's local school operating millage for personal property exceeds the 18 mill personal property tax reduction for school operating granted under the Michigan Business Tax, therefore making 0.9896 mills for personal property available for capture. The recommended tax capture breaks down as follows:

<u>REAL PROPERTY</u>	
School tax capture (49%)	\$ 90,447
Local tax capture (51%)	\$ 93,920
TOTAL	\$ 184,367

<u>PERSONAL PROPERTY</u>	
School tax capture (4%)	\$ 2,789
Local tax capture (96%)	\$ 76,844
TOTAL	\$ 79,633

<u>OVERALL</u>	
School tax capture (35%)	\$ 93,236
Local tax capture (65%)	\$ 170,764
TOTAL	\$ 264,000

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 220,000
Contingency (15%)	+ 33,000
Subtotal	\$ 253,000
Work/Brownfield Prep & Review	+ 11,000
TOTAL	\$ 264,000

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$264,000, described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$93,236.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan request from the City of Southfield Brownfield Redevelopment Authority for the Comau Southfield Redevelopment Project and recommends approval of school tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-26, authorizing the capture of local and school operating taxes for the City of Southfield Brownfield Redevelopment Authority for the Comau Southfield Redevelopment Project, was adopted.

ACTION ITEM

Briefing Memo – Administrative Fee Amendment #1

Peter Anastor discussed the amendment request for the board. On August 23, 2005, MEGA approved a resolution reducing the amount of the application fee from \$5,000 to \$1,000 for certain high-tech and rural MEGA credit applicants. The goal was to assist smaller companies, with less than 50 employees, that did not have the financial resources in the early developmental stages to pay a reduced application fee.

As Michigan works to diversify its economy, the MEGA staff is facing a similar issue with respect to the one-time administrative fee for credits awarded. Applicants in the early developmental stage are indicating that the one-time administrative fee is a disincentive to their location and growth in Michigan due to the amount of the administrative fee compared to the MEGA benefit provided in the initial years of the credit. Also, the fee is due when the company files their Statement of Eligibility which is before the company benefits from the first year of the tax credit. Applicants in the early stages usually have reduced cash flow at the beginning of the operation when the administration fee is due, which is creating the disincentive. The administrative fee is calculated by computing $\frac{1}{2}$ of 1 percent of the gross MEGA cost. Greater job creation over the life of the credit creates a higher MEGA cost, thereby creating a higher administrative fee.

Recommendation

The Michigan Economic Development Corporation recommends Resolution 2000-004, establishing the MEGA Administrative Fees, be amended to allow for the incremental payment of the MEGA administrative fee as long as the incremental payment requires at least 10% of the fee be paid with the submission of the Statement of Eligibility and that the incremental payment does not extend beyond the fifth year of the credit. This structure of payment would only be available for high-tech companies that meet four out of five of the criteria listed below:

1. Company is considered a seed or an early stage business in that it has not fully established commercial operations and may also be engaged in continued research and product development;
2. The administrative fee is \$10,000 or more;
3. The administrative fee is 50 percent more than the first year's MEGA credit benefit;
4. Company has 20 employees or less;
5. Company has been in existence less than three years.

Board Discussion

Bo Garcia gave the Executive Committee report. The MEGA Executive Committee has reviewed the resolution to amend the MEGA administrative fee and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-27 authorizing an amendment to Resolution 2000-004, was adopted.

The meeting was adjourned at 11:15 p.m.

The next board meeting is scheduled to take place on April 22, 2008.