

## **APPROVED MINUTES**

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, Victor Corporate Center, 20255 Victor Parkway, Suite 180, Livonia, Michigan on March 22, 2001 at 10:30 a.m.

### **Members Present:**

Beth Chappell  
Craig DeNooyer (by phone)  
Sarah Deson-Fried  
Mark Haas (acting for and on behalf of Mark Murray, authorization attached)  
Mary Lannoye (acting for and on behalf of Duane Berger, authorization attached)  
Doug Rothwell  
Tim Ward

### **Members Absent:**

Greg Rosine

### **Others Present:**

Peter Anastor, MEGA, MEDC  
Richard Barr, Dean & Fulkersen  
Linda Dankoff, MEGA, MEDC  
Jim Donaldson, Business Development, MEDC  
Amy Heisser, HR Director, Howmet Castings  
Kate Johnson, Redevelopment Specialist, CRDC  
David Jeup, MEDC  
Jennifer Kopp, Communications, MEDC  
Nicole McIntosh, Redevelopment Specialist, CRDC  
Jim Paquet, MEGA, MEDC  
Mike Pohl, MEDC  
Bruce Rasher, Jackson CRDC  
Ellen Ross, MEDC  
Tom Schimpf, Attorney General  
Vern Taylor, MEGA Brownfield Redevelopment, MEDC  
Duane Thelen, MEGA Brownfield Redevelopment, MEDC  
Grant Trigger, HMS&C  
Pat Greve, PGR, LLC  
William Ross, City of Auburn Hills  
Ron Hodess, Miller Canfield

### **Call to Order:**

Chairman Rothwell called the meeting to order at 10:35 a.m.

**Public Comment:**

Chairman Rothwell called for public comment for the regular MEGA projects at this time. There was no comment from the public. The Public Comment period for the MEGA Brownfield Redevelopment projects was deferred until that portion of the agenda.

**Approval of Minutes from the February 13, 2001 Meeting:**

It was moved, supported and carried that the minutes from the February 13, 2001 meeting be adopted.

**Action Item:**

Jim Paquet advised the Board that The POM Group had been removed from the agenda pending receipt of further information from the company of its qualification for a high-tech credit.

**Four Winns Boats, LLC**

100 South Fifth Street, Suite 2500  
Minneapolis, Minnesota 55402

Jim Donaldson introduced Mr. Irwin Jacobs of Four Winns. Mr. Jacobs presented background on the company to the Board. He indicated that although there was excess capacity in the boat building industry, the strength of the Four Winns name and workforce led him to believe that there was an opportunity in acquiring the Cadillac assets out of bankruptcy. The decision on whether to consolidate Four Winns production in Minnesota or Florida where his company had other facilities, or to remain in Cadillac, turned on the incentives offered by the state and local governments.

Mr. Pete Stock, City Manager of Cadillac, discussed the importance of Four Winns to the Cadillac community. Four Winns has historically been the largest employer in the area and one of the highest taxpayers.

Jim Donaldson presented the project to the Board.

Four Winns Boats, LLC will manufacture a wide variety of recreational fiberglass boats. Four Winns is 100 percent owned by JTC Acquisition LLC, a single member limited liability company of Jacobs Trading Company. The company was formed earlier this year when the assets of the former Outboard Marine Corporation (OMC) were acquired as a result of JTC being the successful bidder of the assets out of bankruptcy. OMC had ceased all its operations in December 2000 after declaring bankruptcy. The acquired manufacturing facilities and assets are located in Cadillac.

The company has reopened the acquired 368,000 square foot manufacturing operation in Cadillac and rehired 530 former employees. If the company decides to remain in Michigan it will continue to build staffing until the facility is fully operational in year 2003 with 900 total employees. The company will invest a total of nearly \$17.6 million for the project, including \$5.4 million for the existing building and \$3.3 million in existing equipment. In addition to the existing equipment, the company will purchase \$8.85 million in new equipment for the facility over the next three years.

The company expects to pay an average weekly wage of approximately \$472 with a full benefit package. Operations have resumed in order to complete work in progress that is needed for dealer inventory this season.

Based on the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,424 jobs in the state by the year 2012. Net state government revenues would be increased by \$57.7 million through 2012 due to the presence of this facility.

Factors favorable to moving the facility to Florida include excess capacity at the Florida facility, an available workforce, elimination of duplicate administrative functions, and the ability to leverage technology at other Florida facilities. The company could also take advantage of lower wages and have lower utility costs in Florida. The annual cost advantage of Florida over Michigan ranges from \$1.7 to \$2.3 million over the term of the proposed incentive.

The company had good reasons for restarting operations in Michigan. It has a long history in Michigan and was able to restart operations quickly without moving equipment or training new workers. The company also has an established dealer network in the Midwest with five of the top ten dealers located in Michigan and Wisconsin.

Because OMC stopped all work in progress, there are numerous boats on the plant floor in various stages of completion. Whether the Cadillac plant is retained for the long term or not, all the work in progress must be completed and shipped out to dealers for sale this spring. Because the company rehired many employees to meet this immediate need, MEDC staff recommends that the credit be awarded subject to the 120-day look back provisions in the MEGA Act. That will enable the company to qualify for a credit on all those jobs. Absent the look back treatment on the MEGA credit, the company would move the Cadillac molds and machinery to Florida in late summer or early fall, when immediate production demands have moderated.

Economic Development Job Training funds will be offered to the company for up to 900 net new employees for a total of \$550,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for a length of time to match the

local property tax abatement. The value of this abatement is estimated at \$164,610.

The City of Cadillac will provide an abatement of 50 percent of the personal property tax for a period of twelve years on all new equipment purchased. In addition, Cadillac will also transfer the existing real and personal property tax abatements to Four Winns Boats. The value of these local abatements are estimated at \$748,695.

**Recommendation:**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for 12 years for up to 900 net new jobs and a business activity credit of 100 percent for 12 years. It also recommends that the look back provisions of the law be applied to this credit.

**Board Discussion:**

Tim Ward presented the report of the Executive Committee. He cited the importance of the company to the local economy, and the ease with which the company could relocate for the long term, as reasons for recommending the credit. He noted that substantial hiring had already taken place to meet current market needs and that use of the look back provisions was essential to keeping those jobs in the state. He added that staff had negotiated a requirement that made qualifying for the credit contingent on maintaining at least 400 jobs at the Cadillac facility.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-07 awarding a MEGA tax credit to Four Winns Boats, LLC be adopted.

**P&A Industries, Inc. – Amendment – Transfer of Credit**

Jim Paquet presented the transfer amendment to the Board.

In August of 1998, the MEGA authorized an Employment Credit and a Business Activity Credit to P & A Industries for construction of a corporate headquarters and research and development facility in Monroe Township. P & A manufactures metal stampings and assemblies at a facility in Toledo, Ohio. The project was also to provide similar services to Midway Products Corporation, and related companies, which operate manufacturing facilities in Ohio and Indiana. The project was completed and 78 new jobs were created in Monroe Township as of December 1, 2000.

On January 1, 2001, the corporate management, research and development, and engineering functions of P & A Industries, and the personnel that performed

them, were transferred to Midway Products Group, Inc. as part of a restructuring. The purpose of the restructuring was to consolidate corporate functions related to several companies in the same "family" under the name, Midway Products Group, Inc. Midway subsequently requested that P & A's MEGA credit be transferred to it.

Because, prior to the restructuring, the Midway Products Group employed 24 engineering personnel at a facility in Livonia, those jobs will be added to the base employment level required to be maintained in order to qualify for future tax credits. No further changes in the terms of the credit will be required.

Staff recommends that the P & A credit be transferred to Midway Products Group, Inc. with an adjustment of the base jobs level to account for Midway's existing Michigan employees.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-08 awarding transfer of credit for P&A Industries, Inc. be adopted.

#### **N-K Manufacturing Technologies – Amendment – Transfer of Credits**

Jim Paquet presented the transfer amendment to the Board.

In February of 1997, the MEGA authorized an Employment Credit to N-K Manufacturing Technologies, Inc. for expansion of its plastic injection molding business. The project is located in Grand Rapids and had resulted in the creation of 89 new jobs through April of 2000.

In February of 1999, N-K merged into a related company; Nicholas Plastics, Inc. Nicholas Plastics has requested that N-K's MEGA credit be transferred to it.

The jobs of Nicholas Plastics (and other companies in the closely held Nicholas group) are already included in the jobs base for the N-K credit, so no changes in the terms of the credit are required.

Staff recommends that the MEGA agree to the transfer of the N-K credit to Nicholas Plastics, Inc.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-09 granting transfer of credits for N-K Manufacturing Technologies be adopted.

#### **Howmet Castings – Amendment – Anniversary Date Extension**

Jim Donaldson presented the amendment to the Board

In April 1998, the MEGA Board approved a tax credit for Howmet Corporation for construction of a new investment casting facility in Whitehall, Michigan. The project called for the creation of 130 net new jobs to Michigan, the first 75 of which were to be created by July 31, 2000.

Due to a slowdown in the aerospace industry and consolidation effort initiated by its new owners, Alcoa, the company was unable to meet its obligation under the MEGA Agreement until February 19, 2001. Currently, the company has maintained its base of 2405 and hired 275 new jobs at the project site. It has also invested in the new \$40 million casting facility.

The company is seeking an extension of its anniversary date of March 30, 2001 so that it can begin collecting its credit.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-10, amending Howmet Casting's anniversary date be adopted.

**Public Comment:**

Before proceeding to the Brownfield portion of the agenda, Chairman Rothwell requested public comments.

Grant Trigger, of Honigman, Miller law firm introduced himself to the Board. He cited, among his qualifications, serving as Chair of the Environmental Committee Michigan Economic Developers Association and his authoring the law sections of the Brownfield Manual published by Consumers Renaissance Development Corporation.

He stated his concern that we were in danger of losing one of the essential components of a successful brownfield development program, the ability to predict with some degree of confidence the economic value of the incentives that could be secured. Because of the element of uncertainty injected into the brownfield tax credit process with the recent amendments to the legislation, allowing the MEGA to determine the level of credit, transactions are collapsing. In the past, developers could count on a 10 percent credit, up to a million dollars. Now, although they might secure a greater credit, there is no certainty of how much they will get, or even that they will receive a credit at all. He stated that a swing of \$500,000 in the value of a credit could kill many projects.

The brownfield program in Michigan has been a model nation-wide. However, significant concerns have been raised with the latest amendments to the legislation. It is 24-months before the legislation sunsets and he encouraged the Board and Brownfield staff to work toward eliminating the uncertainties.

Beth Chappell requested clarification of the uncertainties.

Mr. Trigger indicated that the criteria for approving credits were very general and, as applied, were too vague to allow an applicant to project whether a credit would be approved and at what dollar amount. Without some degree of certainty, transactions cannot move forward.

Doug Rothwell concurred that everyone needs to be on the same page. He indicated that the Board had expressed concern about its fiduciary responsibility and the impact of the credits on state revenues. He indicated that amendatory legislation was being developed to 1) use the SBT credit criteria for work plan approvals as well, 2) to adopt an overall cap on tax capture to limit the impact of brownfield incentives on state revenues, and 3) apply a "but for" standard that will assure incentives are only used where needed. It is hoped that the legislation will be adopted this spring.

Mr. Trigger expressed the preference of practitioners in the field for a smaller program with more certainty of receiving a predictable benefit.

Bill Ross, City Manager of Auburn Hills, addressed the Board. He stated that it was the City of Auburn Hills' experience that no one wants to redevelop brownfield sites. He stated that some level of certainty as to the value of the incentive that could be garnered on a particular project was essential. He added that the city council shares some of the concerns at the local level as does the state regarding revenues. However, he reminded the Board that the TIF concept applies, that the tax revenues forgone would not be available without the brownfield project.

Richard Barr, of the Dean & Fulkerson law firm, addressed the Board. He stated that lack of timeliness and uncertainty were both deal killers from a developer's perspective. He stated that the problems were not limited to the TIF approvals but effected the SBT credit applications as well. He argued that the process was inconsistent and that the time required securing a credit was excessive. One hundred and twenty days is forever in a real estate transaction, and most deals cannot weather a process that requires Brownfield Authority approval, application to the MEGA, and a "but for" determination. He expressed concern regarding the requirement that the applicant own the property before applying for a brownfield credit. He argued that the loss of tax revenues was only of incremental revenues over a fairly low base, because the properties were typically underutilized. He volunteered to work with staff on policy issues.

Doug Rothwell related that when staff was able to be involved in a project, early in its development, it had always been able to meet tight deadlines in bringing the project to the Board in a timely manner. He acknowledged that we have not worked closely with the real estate development community and indicated that the MEDC was taking steps to encourage better communication with developers, Brownfield authorities, and their professional advisors. He indicated that he was

unaware of the ownership issue and suggested it might be dealt with in the legislation. He concurred that it is essential for everyone to be on the same page. Vern Taylor will work with Richard Barr and Grant Trigger on policy issues.

Beth Chappell thanked everyone for their concerns. She encouraged a closer relationship between staff, Board and customers and indicated the Board was receptive to shortening the cycle time on projects.

Craig DeNooyer questioned whether all brownfields were created equal and whether the priority should be given to job creation rather than opening up as many brownfields as possible to development. He stated that the applications received from Ford for the Rouge development, and from Kalamazoo for a small commercial redevelopment, were worlds apart in terms of impact and importance.

Doug Rothwell responded that we were looking for projects that would provide the biggest bang for the buck – the greatest impact for the tax dollars forgone.

Craig DeNooyer added that we did not want to use up a limited allotment of 15 brownfield credits on marginal projects early in the year.

**Action Item:**

Consumers Energy Company  
212 West Michigan Avenue  
Jackson, Michigan 49201

Vern Taylor presented the project to the Board.

The Consumers Energy Company will consolidate its headquarters in the City of Jackson. The \$86.7 million project will include a new headquarters complex for the Company on approximately 10 acres in downtown Jackson. The complex will include a multi-story office tower of 350,000 SF for approximately 1,500 employees. The project will also preserve the US Post Office Building that was built in 1932 by incorporating it into the office tower complex. The restored Post Office will include public space, an employee cafeteria, and a corporate conference center. The project should be completed by July 2003.

The existing environmental contamination on the site will be addressed so the area is safe for commercial use. The site will be brought up to MDEQ Commercial IV standards and a Due Care Plan will be developed and implemented so any contamination that remains will not present a danger to people visiting or working at the site.

The project will bring about \$100 million in new investment to the City's downtown area. In addition, the consolidation of approximately 1,500 employees into one complex (900 new employees downtown), will stimulate the creation of new businesses to provide services.

The City of Jackson assembled the land for the project and is leasing it to Consumers Energy. The Company will own the buildings. The City will demolish structures, relocate utilities, construct two parking ramps, and provide other infrastructure improvements in support of the development. The total estimated cost for the City's support of the project is estimated to be \$25 million (excluding property acquisition costs of approximately \$10 million). It is anticipated that approximately \$19 million of the cost will be repaid through tax increment financing.

Additional assistance includes the following:

- City of Jackson personal property tax abatement to Consumers Energy, worth approximately \$3.4 million through the year 2014.
- State of Michigan and City of Jackson "land swap" for approximately 1.65 acres of the site with an estimated value of \$500,745.
- Federal Government provided a \$465,000 grant for the City of Jackson to purchase the Post Office Building.
- U.S. Environmental Protection Agency Demonstration Pilot Grant funds for environmental eligible activities, such as environmental assessments.

The project is eligible because the property is a facility and the site is the subject of a brownfield plan duly approved by the City of Jackson.

The City of Jackson will issue a bond to finance its commitments to the project. Consumers Energy has agreed that it will use the Brownfield Credit against its SBT liability to reduce the amount of a certain lease expense that the City of Jackson would have as part of an agreement relating to this development, reducing the burden on the City's general fund resulting from the bond.

**Recommendation:**

The Michigan Economic Development Corporation recommends a MEGA Brownfield Credit equaling 10 percent of Consumers Energy Company's eligible investment in its project to consolidate its headquarters in the downtown area of the City of Jackson. The total credit shall not exceed \$8,670,000.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-11 awarding a Brownfield MEGA tax credit to Consumers Energy Company be adopted.

**Action Item:**

City of Jackson Brownfield Redevelopment Authority

Vern Taylor presented the work plan to the Board explaining that it was related to the tax credit previously approved.

The site is located in the downtown area of the City of Jackson and consists of multiple contiguous properties including 21 tax parcels, 2 closed alleyways, and 4 sections of active roadways. All properties described in the work plan have been acquired by the City of Jackson. The parcels have been consolidated, and incorporated into one property that has been leased to Consumers Energy for the construction of its Headquarters.

The majority of the subject site is currently vacant or used for motor vehicle parking. Environmental assessments identified contamination on 12 of the 21 parcels that comprise the project site and one of the alleys. The project site is located in a section of the downtown that was designated a blighted area in April of 1997.

The City of Jackson has identified the following eligible activities, for which it is seeking MEGA approval:

- Relocation and upgrading of utilities on Francis and Washington Street and related engineering costs.
- Design, engineering, and construction of two parking structures, and
- Demolition of site structures, including a vacant warehouse, restaurant supply, window manufacturer, and former electric motor repair building.
- Removal of a former State of Michigan parking lot.
- Abatement of asbestos and lead potentially present in the Post Office and other buildings (above) scheduled for demolition.
- Construction of streetscapés.

The project will involve due care activities to address identified contamination that will protect the health and safety of the public. The project will also address blighted conditions in the downtown area, as well as, generate new economic investment and activity that will reverse the decline in that area.

Eligible Activities and Costs:

Infrastructure improvements:

- Francis and Washington Street utility relocation and engineering - \$2,595,000.
- Two parking structures (2)
  - Design and engineering - \$550,000
  - Construction - \$11,950,000

- Total infrastructure improvement cost - \$15,095,000

Demolition:

- Six parcels are identified to have existing structures demolished, including a parking lot.
- Total demolition costs - \$1,882,000.

Lead and Asbestos Abatement:

- This activity is proposed for the same structures for which demolition is indicated. The work plan indicates that a survey will be performed to identify, in more detail, the extent and cost of any abatement or containment.
- Total lead and asbestos abatement costs - \$53,000.

Project Management

- \$20,000

Amount of TIF requested: \$17,050,000

**Recommendation:**

Staff recommends MEGA approval of the eligible activities up to a total of \$5,080,000 for utilities relocation and engineering; parking ramp design and engineering; demolition of structures on six parcels; and lead and asbestos abatement/containment, during demolition of the structures.

Staff is recommending that a new application related to costs for construction of parking ramps be submitted when a comprehensive parking plan for the project has been finalized and when the design and engineering of the parking ramps has been completed.

**Board Discussion:**

Mary Lannoye was confused between the Consumers Energy project and the City of Jackson project and requested clarification.

Vern Taylor replied that Consumers will be constructing the office tower and is seeking an SBT credit. The City will be responsible for the parking, infrastructure and upgrading of utilities and is seeking approval of TIF.

Beth Chappell clarified that the recommendation was to approve the first phase only, and that the project would be back to the Board when more information related to the later phases of the project had been received. Mr. Taylor replied affirmatively.

Doug Rothwell indicated that, at this time, staff did not want to seek approval for more than was required to keep the project moving forward.

Bruce Rasher, Jackson CRDC, presented further public comment regarding the project to the Board. He explained that Consumers had to choose between developing a greenfield site for the new headquarters or working as a partner with the City to revitalize downtown Jackson. Consumers wanted to increase its presence in downtown Jackson but that the cost was \$50 million greater. The SBT credit already approved would close only part of that gap. While acknowledging the staff's need for more information, he emphasized the importance of the parking facilities to the project.

Doug Rothwell indicated that he had been surprised at the amount of the TIF request from the city and indicated that the MEDC should have been brought into discussions of the project earlier. He indicated that the costs could go as high as \$25 million, and that was a lot of money.

Mary Lannoye asked whether we are in effect saying we are going to approve the parking ramp funding.

Doug Rothwell responded that what was going to be recommended to the Board was subject to negotiation. He indicated that it was his view that all the money being requested for the ramps was not needed.

Beth Chappell asked to see more of the plans and suggested that approval of the remainder of the project was not necessarily a certainty.

Chairman Rothwell asked if there were any other questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-12 approving portions of the work plan submitted by the Jackson Brownfield Redevelopment Authority be adopted.

Tony Anthony, a consultant working with the City of Monroe on the Riverbend project, gave final public comment on the brownfield legislation. He indicated that the project had been withdrawn from this meeting's agenda in order to allow more time to work with staff. He expressed his hope that the project could be presented at the April meeting. He indicated that this project, like most brownfield projects, would involve environmental clean up. He stated that incentives like the SBT credit and TIF were essential to leveling the playing field so that the cost of reusing contaminated sites are competitive with Greenfield developments.

The meeting was adjourned at 12:07 p.m.