

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on March 5, 2002 at 10:00 a.m.

Members Present

Beth Chappell (by phone)

Craig DeNooyer

Sarah Deson-Fried

Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)

Nancy Taylor (acting for and on behalf of Doug Roberts, authorization attached)

Doug Rothwell

Tim Ward

Members Absent

Duane Berger

Others Present

Jason Allen, MI House of Representatives

Dennis Aloia, Grand Traverse County

Karen Ammarman, MEGA, MEDC

Peter Anastor, MEGA, MEDC

Dawn Baetsen, Deloitte & Touche

Ken Berg, Developer, Grand Traverse Co.

Rick Branchflower, CEO, CTS Michigan

Dan Casey, City of Southfield

John Czarnecki, MEDC

Linda Dankoff, MEGA, MEDC

Jean Derenzy, Grand Traverse County

Jim Donaldson, MEDC

Jon Dowling, City of Jackson

Cynthia Grubbs, MEDC

Carol Knobloch Johns, MEDC

Carol Konieczki, City of Jackson

Shigeyasu Kozaki, President, AW Tech. Center

Paul Krepps, MEDC

Penny Launstein, MEDC

Ronnie L. Lewis, Vice President, Plastech

Roger Mawby, Grand Traverse County

Mark Morante, Vice President, Bus. Finance Adv., MEDC

Kory Musket, Plastech

Greg Northrup, Consumers Energy

Susan Novakowski, MEDC

Brian O'Connor, City of Jackson

Jim Paquet, Secretary to the MEGA Board

Sante Perelli, Attorney General
Stephen Polk, President and CFO, R.L. Polk & Co.
Bruce Rasher, Dir. of Real Estate, Consumers Energy
Bob Reinking, Mgr. Spec. Projects, CTS Michigan
Warren Renando, City of Jackson
Tim Robinson, Vice President, Washtenaw Dev. Council
Vern Taylor, Brownfield, MEDC
Duane Thelen, MEDC
Bob Trezise, MEDC

Call to Order

Doug Rothwell called the meeting to order at 10:15 a.m.

Approval of Minutes from December 18, 2001

It was moved, supported and carried that the minutes from the December 18, 2001 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*CTS Management, LLC
624 Martin Luther King, Jr. Way
Tacoma, WA 98405*

Peter Anastor began the presentation by introducing Rick Branchflower and Bob Reinking of CTS Management, LLC. Mr. Branchflower continued by explaining the project to the Board.

CTS Management plans to expand its business in the Midwest by opening a new toxicology laboratory to complement its current presence on both coasts. The company proposes a 40,000 square foot, state-of-the-art laboratory for oral fluid and urine drug testing in Kalamazoo. He expressed hope that the company could capture 70 percent of the \$1.5 billion drug testing business in the U.S. He cited Western Michigan University as a resource because it could provide the skilled people that are needed for growth.

Peter Anastor continued the presentation. In addition to the laboratory, CTS will also move some administrative and IT staff into a leased office building in downtown Kalamazoo. In total, the company would add 191 jobs (155 at the laboratory) with an average weekly wage of \$494. Total capital investment for the project would be approximately \$8.3 million, including \$6 million for the new lab building, \$1.4 million for new lab and office equipment and \$900,000 for capitalized lease costs and leasehold improvements to the office building. Building construction would begin in May of this

year with completion expected in October. Full operations are expected to begin in January 2003.

It is estimated that this facility will generate a total of 205 jobs in the state by the year 2012. Total state government revenues through the year 2012 would be increased by \$6,000,000 due to the presence of this facility.

The alternative location being proposed is in Elkhart, Indiana where the company was offered a building that would provide enough space that a portion could be leased back to the owner at a price that would cover the building costs.

Due to the type and level of investments being proposed, the company may be eligible for an Investment Tax Credit of up to \$44,900.

The City of Kalamazoo will provide a 50 percent abatement of the company's new personal property tax for six years. In addition, the City is expected to approve a 50 percent abatement of any real property improvements for 12 years, once that phase of the project begins construction. The estimated value of both of these local tax abatements is \$1,112,200. In addition, Southwest Michigan First (SMF) will provide a forgivable loan of \$150,000. The loan will be forgiven on the condition that CTS relocates equipment from Elkhart and creates 150 jobs at the new lab. SMF will also provide a grant of up to \$25,000 for facility costs at a temporary location, and for relocation costs.

Recommendation

The Michigan Economic Development Corporation recommends a 10-year employment tax credit of 100 percent for the initial five years and 50 percent for the last 5 years, for up to 191 net new employees.

Board Discussion

Tim Ward gave the report of the Executive Committee. The Executive Committee is pleased to recommend awarding the requested MEGA tax credit.

Hearing no other discussion, a motion was made and supported, and Resolution 2002-01 awarding a MEGA Tax Credit to CTS Management, LLC was adopted. Craig DeNooyer abstained from this vote due to his involvement with Southwest Michigan First.

ACTION ITEM

*R.L. Polk & Company
26955 Northwestern Highway
Southfield, Michigan 48034*

Jim Donaldson began the presentation by introducing Stephen Polk, who provided background on the company and explained the project in detail.

R. L. Polk was founded in Detroit and provides information services to automakers and their dealers. The company operates in 14 countries with 1,400 employees worldwide, including 358 at their current Southfield office. The project would involve consolidation of the company's Cincinnati operations in Southfield.

Jim Donaldson continued the presentation by noting that the alternative to the proposed project is to consolidate the operations in downtown Cincinnati, where the company owns a 10-story building. In Michigan, office space is leased and the company would incur additional costs of approximately \$675,000 per year. Total operating costs would be approximately \$1.0 million less per year when the lower wages paid in Cincinnati were considered. The project would add 300 jobs with an average weekly wage of \$944. Total capital investment for the project would be approximately \$5.5 million, including leasehold improvements, new furniture and fixtures and capitalized lease costs. In addition, the company will transfer equipment valued at \$3 million to Michigan. The project will also prevent loss of the Southfield jobs to Cincinnati.

It is estimated that this facility will generate a total of 383 jobs in the state by the year 2020. Net state government revenues through the year 2020 would be increased by \$29.9 million due to the presence of this facility.

The State of Michigan will provide an Economic Development Job Training grant of up to \$1,000 per job for the first 169 net new jobs, or up to \$169,000.

The City of Southfield has offered to reconstruct the intersection of Civic Center Drive and First Center Drive to allow for proper drainage and will patch Civic Center Drive from Lahser Road to Berg Road. The cost of these improvements is expected to be \$60,000, with work being completed in 2002. Oakland County has also extended a five-year foundation membership in Automation Alley to the company, with a value of \$75,000. In addition, the Southfield Area Chamber of Commerce will provide the company with free booth space at the 2002 Business Expo.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 300 net new employees and a business activity credit of 100 percent, both for 19 years.

Board Discussion

Tim Ward gave the Executive Committee report. There was some discussion of the local community's support. Because R.L Polk is a non-manufacturing business, a tax abatement is not available. The Committee was satisfied with the local commitment and recommends approval of the MEGA tax credits.

Hearing no further discussion it was moved and supported and Resolution 2002-02 approving MEGA Tax Credits for R.L. Polk & Company was adopted.

ACTION ITEM

*Plastech
22000 Garrison
Dearborn, Michigan 48124*

Jim Donaldson began the presentation by introducing Ronnie Lewis, Vice President for Plastech. Mr. Lewis thanked MEDC staff for their guidance and explained the project to the Board. Plastech is a new company whose parent is Plastech Engineered Products. The company is a plastic injection and blow molder that previously received a \$200,000 loan from the Michigan Strategic Fund. It was started in 1997 and now has gross revenues of approximately \$340 million and 2,700 employees in six states. Approximately 1,100 are employed in Michigan.

Jim Donaldson continued the presentation. The company plans to construct a 300,000 square foot facility for the manufacture of injection molded and blow molded automotive parts. The project would employ up to 400 new workers by the end of 2005, at an average weekly wage of \$480. Workers would receive a benefit package worth an additional 15 percent of wages. The company would invest \$37 million, including \$13.5 million in the building and \$24 million in machinery and equipment. Construction would begin in April 2002 and be completed by December 2002. Production would begin in December with 250 workers. By the end of 2003 the company anticipates having 340 workers.

It is estimated that this facility will generate a total of 555 jobs in the state by the year 2011. Net state revenues through the year 2011 would be increased by \$15.3 million due to the presence of this facility.

The company estimates that locating the project in Romulus, Michigan instead of Winnsboro, South Carolina will increase its operating costs by roughly \$1 million per year. The cost gap is due to higher wages and electricity costs in Michigan. The company would prefer a Michigan location due to its excellent workforce and because the company's "home" is here. The incentive package will help make a positive business case for putting the project here.

The State of Michigan will provide the company with an abatement of the 6-mill State Education Tax for a length of time to match the community's property tax abatement. The value of this abatement is estimated at \$805,212.

The City of Romulus will provide an abatement of 50 percent of real property taxes for 12 years and 50 percent of personal property taxes for 6 years. The estimated value of this local abatement is \$3,415,949.

Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for ten years for up to 400 net new jobs.

Board Discussion

Tim Ward gave the Executive Committee report. After review and discussion the Executive Committee recommends approval of the MEGA tax credit.

Craig DeNooyer asked which automotive companies are supplied with the company's products. Mr. Lewis indicated that Ford and Mercedes were among its customers.

Hearing no further discussion it was moved and supported and Resolution 2002-03 approving a MEGA Tax Credit for Plastech was adopted.

ACTION ITEM

*AW Technical Center U.S.A., Inc.
1203 Woodridge
Ann Arbor, Michigan 48105*

Jim Donaldson briefly described the project and introduced Shigeyasu Kozaki, President of AW Technical Center. Mr. Kozaki indicated that AW Technical Center (AW-TC) provided engineering research and development services to the AISIN companies and its customers. AW-TC focuses on high-tech automatic transmission and navigational systems for U.S. domestic customers, including General Motors.

Jim Donaldson continued the presentation. AW-TC is a wholly-owned subsidiary of Aisin AW Company, Ltd. of Japan. AW-TC currently has 29 employees in its Ann Arbor Township location. The proposed expansion will occur at its existing Ann Arbor Township location or in Durham County, North Carolina where an affiliate has a production facility. The company would add 18 jobs in the first year and 45 jobs over five years paying an average weekly wage of \$833. Total capital investment for the project would be approximately \$4.1 million, all for new machinery and testing equipment. No additional infrastructure or build-out of the existing facility would be needed to complete the expansion.

It is estimated that this facility will generate a total of 58 jobs in the state by the year 2011. Net state government revenues through the year 2011, would be increased by \$2.4 million due to the presence of this facility.

North Carolina has offered incentives for the project, including credits for new jobs created and new machinery and equipment investments. In addition, Durham County has offered substantial direct cash grants for the expansion. AW Tech. has also indicated recruitment of skilled engineers and technicians would be easier in North Carolina due to the perception of a better quality of life, with a mild climate, lower tax burden and lower housing costs.

The State of Michigan will offer an abatement of 100 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$48,600.

Ann Arbor Township has proposed a 50 percent abatement of the company's new personal property tax for six years. The estimated value of this local tax abatement is \$151,700.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for ten years for up to 45 net new employees.

Board Discussion

Tim Ward gave the Executive Committee report. The MEGA Executive Committee recommends granting the high-technology employment credit to AW Technical Center.

Hearing no further discussion it was moved and supported and Resolution 2002-04 approving high-tech MEGA Tax Credit for AW Technical Center U.S.A., Inc. was adopted.

ACTION ITEM

*Jackson 21 Project/Consumers Energy
Jackson Brownfield Redevelopment Authority
161 West Michigan Avenue
Jackson, Michigan 49201*

John Czarnecki provided the Board with a description of the project and introduced Jackson's City Manager, Warren Renando, who introduced Brian O'Connor, Jon Dowling, and Carol Konieczki from the City of Jackson, and Bruce Rasher and Greg Northrup from Consumer's Energy. Mr. Renando explained that the project will provide 1,300 parking spaces for the Consumers Energy headquarters in downtown Jackson will make additional infrastructure improvements.

John Czarnecki continued the presentation indicating that it was phase two of the Jackson 21 development. The project includes vacating alleys, relocating utilities and removing a former State-owned parking lot. In March of 2001, MEGA approved \$5,080,000 for the project. The approval allowed the City to proceed with demolition activities, engineering and design work for two parking decks, as well as infrastructure improvements for the project. The approval also required the City of Jackson to provide a comprehensive parking plan for the project before MEGA would approve funding for the construction of the parking decks.

A comprehensive parking plan has been developed for the project and a modified work plan has been submitted to reflect an additional level for parking on one of the two decks in order to accommodate more vehicles. The City is now seeking approval for the remaining cost in the amount of \$11,970,000 to construct the parking decks to complete the project. A third parking deck is currently under consideration but it will not be part of this project and no MEDC incentives will be requested for its construction.

The City of Jackson is a qualified local governmental unit and the project is the subject of a duly approved brownfield plan. Phase II environmental assessments identified contamination on 12 of the 21 parcels that comprise the project site and one of the two closed alleys. DEQ approval of \$1,805,000 of TIF financing for environmental remediation and due care activities has been requested.

The project site is located in a section of the downtown area of the City that was designated a blighted area in April of 1997. The project will also address blighted conditions in the downtown area and will generate new economic investment and commerce to help reverse the decline in the area. The project is expected to raise the taxable value of the subject property from a current value of \$978,950 to a taxable value of \$36,000,000. Local tax capture is not available for this project because it is in the City's Downtown Development Authority District (DDA).
Project Costs (Approved by MEGA March 2001):

Infrastructure Improvements:	
Frances & Washington Street utility relocation and engineering -	\$2,595,000.
Design & engineering of two parking structures -	\$550,000
Demolition:	
Demolition of structures on six parcels including a parking lot -	\$1,882,000
Lead & Asbestos Abatement:	
Lead and asbestos abatement/containment, during demolition of the structures -	<u>53,000</u>
Total approved March 2001 -	\$5,080,000

Current request to complete project:

Infrastructure Improvements:	
Construction of two parking decks -	\$11,950,000
Project Management	<u> 20,000</u>
Total of This Request	\$11,970,000
Total Project Costs	\$17,050,000

Recommendation

The MEDC recommends MEGA approval in the amount of \$11,970,000 for construction of the two parking structures and project management to complete this project.

Board Discussion

Elizabeth Chappell gave the Executive Committee report. The MEGA Executive Committee expressed their approval of the plan and recommends approval of the work plan and tax capture.

Hearing no further discussion it was moved and supported and Resolution 2002-05 approving the work plan and capture of school taxes for the City of Jackson's Jackson 21 Project was adopted.

ACTION ITEM

*T.C. Cast Products.
Grand Traverse County Brownfield Redevelopment Authority
400 Boardman Avenue
Traverse City, Michigan 49684*

John Czarnecki began the presentation by introducing Jean Derenzy, Deputy Director for the Brownfield Redevelopment Authority (BRA) for Grand Traverse County. Jean introduced Dennis Aloia and Roger Mawby from Grand Traverse County. Ken Berg, the developer for the project was also on hand, along with Representative Jason Allen. The project was explained with the aide of a brief slide show. The Grand Traverse County BRA is proposing rehabilitation and construction on a 14-acre parcel to include demolition, pavement, pedestrian walkways, and infrastructure to enhance six new buildings on the site. The total project cost is \$631,500.

Project approval by MEGA will allow the removal of a blighted and functionally obsolete structure that has become an attractive nuisance to local children and a hazard to the public. Property taxes on the subject parcel are delinquent. The project will make the site active for redevelopment and attract new private investment to the area.

Representative Jason Allen mentioned that this project will fit into the community's plans and offered his support for the project.

John Czarnecki mentioned that this is a speculative project for the county. The developer will make the investment and receive reimbursement from the local government over time from the tax capture. Tax capture is projected to begin in 2002 and end in 2010. School tax capture based on MEGA approval would be approximately 43% of the total project cost, about \$272,000.

The property is a "facility" based on an environmental assessment and meets the criteria for both "blighted" and "functionally obsolete" property.

The project site is the subject of a brownfield plan, duly approved by the Grand Traverse County Brownfield Redevelopment Authority, Grand Traverse County Board of Commissioners and the City Commission for the City of Traverse City.

The activities to be undertaken with tax increment revenues are eligible activities under P.A. 381 as amended.

Approval has been requested for the following eligible activities:

Demolition	\$175,000
Site preparation	60,500
Infrastructure improvements	283,600
Lead and Asbestos removal	20,000
Agency Work Plan/Admin. cost	10,000
Contingencies @ 15%	<u>82,400</u>
Total	\$631,500

Recommendation

The MEDC recommends approval of the T.C. Cast Products work plan as submitted by the Grand Traverse County Brownfield Redevelopment Authority.

Board Discussion

Elizabeth Chappell gave the report of the Executive Committee which recommended approval of the requested Brownfield Redevelopment Credit. She indicated that "a picture says a thousand words" and, as could be seen in the slide presentation, no one was going to touch the site without the approved activities occurring. She commended the Traverse City Brownfield Authority for its aggressive use of the Brownfield program.

Hearing neither questions nor discussion from the Board, motion was made and supported and Resolution 2002-06 authorizing tax capture by the Grand Traverse

County Brownfield Redevelopment Authority for the T.C. Cast Products work plan was approved.

ACTION ITEM

*BEHR Climate Systems, Inc.
850 Ladd Road Building A
Walled Lake, Michigan 48390*

Jim Paquet explained BEHR Climate Systems' request for an amendment to allow an extension of its anniversary date. In May of 1999, the MEGA approved tax credits for BEHR Climate Systems, Inc.'s (formerly BEHR America, Inc.) expansion project in Webberville. In the Agreement, BEHR Climate committed to creating at least 75 new jobs by December 31, 2001.

In a letter dated February 6, 2002, the company explained that it had made capital expenditures for construction, improvements, and machinery and equipment totaling \$11.5 million in the project. The Company has created 61 new jobs at the project and has increased its base employment level by fifty-one.

Due to the slowdown of the economy and its impact on the automotive industry, the company has not added a second shift to its manufacturing operation as it had planned. The company is requesting a twelve-month extension of its anniversary date to allow it to qualify for the credit.

Recommendation

Staff recommends that the MEGA agree to amend the BEHR Climate Systems credit to extend the anniversary date to December 31, 2002, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Chairman Rothwell asked for questions from the Board and hearing none, it was moved and supported and Resolution 2002-07 was adopted, extending the anniversary date for BEHR Climate Systems, Inc. to December 31, 2002.

ACTION ITEM

*Gyricon Media, Inc,
3333 Coyote Hill Road
Palo Alto, California 94304*

Linda Dankoff presented Gyricon Media's request for an amendment to its MEGA credit. In December 2001, the MEGA granted a tax credit to Gyricon for a manufacturing facility in Scio Township. The resolution made the credit contingent on the adoption of a 12- year tax abatement by Scio Township, and the provision of assurances of the financial viability of the project, prior to execution of the MEGA Credit Agreement.

Although Scio Township adopted a tax abatement for the project, the length of time and value of the abatement was less than originally presented to the MEGA Board. Staff had originally assumed a 12-year abatement on real property and a 6-year abatement on personal property with an estimated value of \$1,018,795 for the local share and \$340,473 for the state share. The actual abatement passed by Scio Township provides a five-year abatement of personal property taxes only, with a value of \$729,730 for local share and \$243,870 for state share.

With respect to the financial viability of the project, Gyricon Media has provided a letter documenting commitments of \$9.8 million to fund its operations through 2002. Although the funds are insufficient to assure completion of the project, the quality of the lead investors, which include Xerox Corporation, provides additional comfort that the project is financially viable. The company has established operations in Michigan, leasing a facility in Scio Township for five years with an option on additional space. The Michigan Economic Development Corporation is satisfied that the contingency of the original credit award has been met.

Recommendation

The MEDC staff recommends that the Board approve the change in the local commitment and authorize the execution of a tax credit agreement.

Board Discussion

Craig DeNooyer asked whether the requested amendment was due to the local community's lack of support for the project. Linda Dankoff responded that the community did not misrepresent or renege on the commitment. Staff at MEDC erroneously assumed that the maximum abatement possible would be awarded.

Craig DeNooyer asked if staff, knowing what it does now, would have done anything differently. Linda Dankoff responded by saying that staff would have tried to get a more accurate reading of the local government's intent relative to the abatement. Mr. DeNooyer asked if staff would have recommended a ten-year credit, had it known about the five year lease. Doug Rothwell responded that typically we spread the credit out for the longer term in order to keep a company here.

Hearing no further questions from the Board, Chairman Rothwell called for a motion. It was moved and supported and Resolution 2002-08 approving an amendment of tax credit (original Resolution 2001-054) for Gyricon Media, Inc. was adopted.

The meeting was adjourned at 11:10 a.m