

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on April 15, 2003 at 10:00 a.m.

Members Present

Elizabeth Chappell (by telephone)

Craig DeNooyer

Sarah Deson-Fried

Mark Haas (acting for and on behalf of Jay Rising, authorization attached)

David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Tim Ward

Others Present

Amy Banninga, MEDC

Kathy Blake, Sr. Vice President, Business Development, MEDC

Dale Benish, Sanilac County Economic Development Corporation

Todd Brian, President, Flint-Genesee Economic Growth Alliance

John Czarnecki, MEDC

Fred Dillingham, Economic Development Council of Livingston Co.

Jim Donaldson, MEDC

Lynn Fournier, Kimberly-Clark

Sabrina Keeley, COO, MEDC

Carol Knobloch Johns, MEDC

Maureen Krauss, Oakland County

Paul Krepps, MEDC

Amy Lane, Crains

Denise Lewis, Honigman, Miller, Schwartz & Cohn

Susan McCormick, MEDC

Richard Mersman, The Stolar Partnership

Philip Musser, Keweenaw Industrial Council, Houghton County

Jim Paquet, Secretary to MEGA Board

Mike Pohnl, MEDC

Matthew Rick, Assistant Attorney General

Doug Rizzi, V.P. Operations, Inalfa Roof Systems

Eric Rucker, V.P. Operations, Grupo Antolin Michigan

Tom Schimpf, Assistant Attorney General

Ron Scott, Gordon Food Service

Vern Taylor, MEDC

Randy Thelen, MEDC

Peter Zeiler, Detroit Economic Growth Corporation

Call to Order

Jim Paquet called the meeting to order at 10:00 a.m.

Prior to the first order of business, Mr. Paquet noted that it would be Craig DeNooyer's last meeting. On behalf of the Board and the staff, he thanked Mr. DeNooyer for his service on the Board since the June of 2000. He remarked that Craig had driven through many an early morning snowstorm to insure that the MEGA had the quorum needed to approve tax credits. Mr. Paquet expressed his appreciation for Mr. DeNooyers insights and questions over the years, and in particular the contribution of his knowledge and experience in real estate and development. He wished Craig well in his future endeavors.

Election of Presiding Officer

David Hollister was nominated as presiding officer of the MEGA board until further notice. The motion was supported and carried.

Approval of Minutes from March 18, 2003

A motion was made, supported and carried that the minutes from the March 18, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Cadillac Development Company, LLC
351 Phelps Drive
Dallas, Texas 75261*

John Czarnecki began the presentation by introducing Randy Thelen (MEDC). Mr. Thelen introduced Peter Zeiler with the Detroit Economic Growth Corporation. Lynn Fournier from Kimberly-Clark and Richard Mersman with The Stolar Partnership were also introduced and contributed to the presentation. Ms. Fournier explained the investments that have been made by Kimberly- Clark in other communities in the nation.

The Book-Cadillac Hotel opened on December 8, 1924 as one of the premier hotels in the world. At 30 stories high and offering nearly 1,200 rooms, it stood as the tallest hotel in the world outside of New York City. Located on the northeast corner of Washington Boulevard and Michigan Avenue in downtown Detroit, the hotel was the pinnacle of elegance for the city.

The hotel changed hands several times before closing completely in 1984. As it stands, the building is functionally obsolete. An evaluation of the physical and structural

features of the building has demonstrated that the utilities, plumbing, HVAC and related facilities are in disrepair and largely non-functional.

Cadillac Development Company, LLC, proposes to restore the Book-Cadillac hotel to its original stature. The \$142.5 million project will completely remove aged and non-useable interior building materials, add new parking spaces, expand the existing conference facilities to modern standards, restore and renovate all the guest rooms into about 475 guest rooms and create 84 residential units on the upper floors. Added amenities will include a first floor restaurant and related services. Upon completion, the hotel facility will employ upwards of 350 people.

Kimberly-Clark Corporation, the Dallas, Texas-based consumer product company, has a historic properties investment division. For the Book-Cadillac Hotel project, Kimberly-Clark has formed Historic Hospitality Investments of Michigan, LLC, of which Kimberly-Clark is the sole member. Historic Hospitality Investments of Michigan, LLC, will be the managing member of Cadillac Development Company, LLC. This structure allows the City of Detroit to transfer the property to the developer and allows the developer to fully avail itself of the historic tax credits.

As evidenced by the list of federal, state, and local programs utilized to accomplish this project, financing of the development is complex. Previously, the high renovation costs coupled with a relatively low anticipated revenue stream has been the single biggest factor in preventing this project from moving forward.

The company will invest \$21.5 million (more than 15%) in equity in the project. Additional equity will be raised via the syndication of federal and state historic tax credits (\$25.2 million). The balance of the project costs are expected to be covered by tax-exempt Empowerment Zone bonds, local loan funds, and several other local financing tools.

Brownfield SBT Credits are granted based on several criteria outlined in the statute. The proposed development will reverse a significant disinvestments in the area of the Book-Cadillac hotel over the past two decades, and hopefully provide a catalyst for further development in the downtown area. By supporting this development project, significant income tax, sales tax, and lodging taxes will be generated. The project will result in the complete rehabilitation of an historic building that has been vacant for nearly 20 years. The project will create at least 350 new full-time jobs in an area of high unemployment.

The eligible investment to be undertaken in Detroit by Cadillac Development Company, LLC, includes:

Site Improvements	\$ 1,000,000
New Construction	\$ 15,000,000
Building Improvements	\$114,000,000
Furniture & Fixtures	<u>\$ 12,500,000</u>
Project Total	\$142,500,000

Mayor Hollister asked what the next step is and when it will begin.

Lynn Fournier explained that they are ready to begin demolition in the next two-four weeks. After demolition, bids for reconstruction will be going out. She is hoping for an opening date during the last quarter of 2005.

Craig DeNooyer asked what the projected occupancy rate is for the residential units.

Lynn Fournier said "60". She explained that evaluations and market studies have been completed and that that is the recommended occupancy.

Mayor Hollister asked what the target market will be for the condominiums. Lynn responded by saying that they will be marketed toward high-end rent payers.

John Czarnecki continued the presentation. The property, formerly used for commercial purposes, is functionally obsolete and is located within the boundaries of the City of Detroit, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on November 21, 2002, by the Detroit City Council, and Cadillac Development Company, LLC, is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Book-Cadillac Hotel project, not to exceed a \$10,000,000 credit.

Board Discussion

Tim Ward gave the Executive Committee report. On behalf of the MEGA Executive Committee, Mr. Ward was very happy to recommend approval by the MEGA Board.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-05, approving a brownfield redevelopment tax credit for Cadillac Development Company, L.L.C. was adopted.

ACTION ITEM

*Inalfa Roof Systems, Inc.
1370 Pacific Drive
Auburn Hills, Michigan 48326*

Jim Donaldson described the company and its plans for expansion. Inalfa is a subsidiary of a Dutch company. It has 331 employees at in Auburn Hills. Inalfa Roof Systems, Inc. designs and assembles roof systems for original equipment automotive markets worldwide. Jim introduced Doug Rizzi, who explained the company's project in more detail.

Inalfa needs to expand its assembly operations for the production of electronic sunroof modules. The company is considering a site in Grand Blanc Township, which would operate as a satellite assembly operation to their current engineering technical center and assembly operation in Auburn Hills. The project would include the lease of an existing 15,000 square foot facility in Grand Blanc Township, which would then be expanded to 50,000 square feet. The expansion is expected to generate 86 new jobs in the first year of operation and 75 additional new jobs in the second year of operation, for a total of 161 new jobs. The new positions will pay an average weekly wage of \$590. Inalfa is also considering an existing operation in Oklahoma City, Oklahoma for this project.

Todd Brian from Flint-Genesee Economic Growth Alliance was introduced to the board. He talked about the community's support for this project.

Grand Blanc Township is considering a 50 percent abatement of the company's new real and personal property for eight to twelve years. Assuming the company receives a 10-year abatement, the estimated value would be \$499,100. The abatement approval is expected to be complete by June 2003.

Total capital investment for the project would be approximately \$8.4 million over three years, including \$2.5 million for capitalized lease costs and infrastructure improvements and \$5.9 million for new machinery and equipment. Construction on the expansion of the building would begin in June 2003, with operations starting in February 2004.

It is estimated that this facility will generate a total of 383 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$12.4 million due to the presence of this facility.

As part of the company's decision-making process, Inalfa Roof Systems compared the costs of the project in Grand Blanc Township to Oklahoma City, Oklahoma. The company estimates that overall labor costs in Oklahoma would be 10% lower, saving the company nearly \$500,000 per year. The Oklahoma location would save an additional \$700,000 annually in labor costs because the company could use existing managerial and supervisory staff at that location, eliminating the need for 16 positions.

The company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$9,700. In addition, the company will be eligible for an exemption of an estimated \$336,000 of sales taxes due to the nature of the equipment being added to this facility.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 161 net new employees.

Board Discussion

Tim Ward gave the Executive Committee report. The committee discussed the fact that the local community has not yet had a chance to act on the expected tax abatement. The Executive Committee recommends board approval of the requested tax credit contingent on the adoption of the local abatement.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-06, approving a MEGA tax credit for Inalfa Roof Systems, Inc., was adopted.

ACTION ITEM

*Gordon Food Service, Inc.
333 Fiftieth Street, SW
Grand Rapids, Michigan 49501*

Jim Donaldson introduced Ron Scott of Gordon Food Service, Inc. Mr. Scott explained the need for Gordon Food Service to expand their operation and expressed the company's desire to remain in Michigan.

Gordon Food Service is headquartered in Grand Rapids and is a full-line distributor and retailer of food products for restaurants, hospitals, schools and institutions, as well as the general public through their Marketplace stores. The company is a family-owned business with over 100 years of experience, and is the largest privately held food service distributor in North America. Currently, Gordon Food Service serves over 20,000 customers, mainly in the Midwest and Canada. The company currently has over 2,000 employees in Michigan, including over 500 full-time employees at their 45 Marketplace stores.

Gordon Food Service needs to expand its distribution capacity due to growth in Michigan, Ohio and Indiana. The company is considering a site in Green Oak Township or Toledo, Ohio, where they would construct an approximately 200,000 square foot facility. The new operation would create 75 new jobs in the first year of the project and up to 125 new jobs over five years. The new positions will pay an average weekly wage of \$508, plus a benefits package valued at approximately 40% of wages.

Total capital investment for the project would be approximately \$19.5 million, including \$3 million for land and site preparation costs, \$12.5 million for building costs, and \$4 million for new machinery and equipment. Construction on the building would begin in July 2003, with operations starting in June 2004.

It is estimated that this facility will generate a total of 232 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.

As part of the company's decision-making process, Gordon Food Service compared the costs of the project in Green Oak Township to Toledo, Ohio. After a comprehensive analysis, the company identified three major cost gaps. The company would receive

free land in Ohio, saving more than \$1.8 million in up-front costs. The company will receive at least a 10-year, 100% property tax abatement in Ohio. In Michigan, the company is not eligible for tax abatement. The company will incur costs approximately \$300,000 per year higher in Michigan for the duration of the Ohio tax break. Finally, due to the markets and stores served by this facility, transportation costs will be greater with the facility in Michigan. Gordon Food Services estimates these costs will range from \$300,000 to over \$1 million more in Michigan per year, once additional stores are opened in Ohio.

The company will be eligible, based on the private investment numbers it provided, for an investment tax credit worth approximately \$38,200.

Green Oak Township approved a resolution on March 19, 2003, waiving certain Building Department and planning fees related to this project, up to \$45,000. Fred Dillingham from the Economic Development Council of Livingston County was on hand to express the community's support for the expansion project.

Recommendation

The Michigan Economic Development Corporation recommends a 12-year employment tax credit of 100 percent for the initial ten years, 75 percent for the eleventh year, and 50 percent for the twelfth year, for up to 125 net new employees.

Board Discussion

Tim Ward gave the Executive Committee report and, on behalf of the Executive Committee, recommended approval of the tax credit.

Craig DeNooyer wondered why the company would consider locating a building site in Michigan. Mr. Scott responded, saying that, among other things, the company wants to locate near the Detroit market.

Hearing no further board discussion, a motion was made and supported and Resolution 2003-07, approving a MEGA tax credit for Gordon Food Service, Inc., was adopted.

ACTION ITEM

*Grupo Antolin Michigan
1402 Rankin Street
Troy, Michigan 48103*

Jim Donaldson introduced Eric Rucker, who described the company's facilities and the need for expansion to accommodate growth.

Grupo Antolin is a privately held Tier One supplier to the global automotive market. Currently the company has 55 locations worldwide with 38 manufacturing, 12 assembly and logistic centers, and five Technical Centers (the most recent in Troy, MI). It is also a minority partner in an assembly and sequencing center in Wayne, Michigan.

The company is proposing to establish a new subsidiary, Grupo Antolin Michigan, which will be a supplier of automotive interior trim components. This activity could grow into other commodities for the interior/exterior of the vehicle as well. Initially, major customers will be General Motors and Ford, although the company hopes to supply product to other OEMs from this location.

The company is considering use of a former Lear Seating facility in Marlette, or an expansion of its plant in Silao, Mexico.

If Grupo Antolin selects Michigan, the project is expected to result in the creation of approximately 214 jobs over the first five years with an average weekly wage of \$546.

It is estimated that this facility will generate a total of 566 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$23.8 million due to the presence of this facility.

As part of the company's decision-making process, Grupo Antolin compared the costs of the project in Marlette and at their facility in Mexico. In Michigan, the company faces higher labor and facilities costs, partially offset by higher transportation costs from the facility in Mexico. This differential is estimated to be approximately \$2 million per year once the project is fully staffed.

The State of Michigan will offer an abatement of 50 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 \$127,974.

Water connections to the plant may need to be improved to provide adequate fire suppression. Final estimates have not been received, but there is the potential for a small CDBG grant to meet these needs.

Dale Bemish from Sanilac County Economic Development Corporation expressed the community's support for the company's plans to expand, especially in light of recent layoffs in the area. The City of Marlette approved a 50 percent abatement of the company's new real and personal property taxes for twelve years at their April 7, 2003 meeting. The Marlette tax abatement has an estimated value of \$974,232.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years and a 100 percent business activity tax credit for three years, for up to 214 net new employees.

Board Discussion

Tim Ward gave the report of the Executive Committee and recommends board approval of the requested tax credits.

Hearing no further discussion, a motion was made and supported and Resolution 2003-08, approving MEGA tax credits for Grupo Antolin Michigan, was adopted.

Sarah Deson-Fried congratulated the City of Marlette on the addition of this company to their community.

ACTION ITEM

*Ironwood Plastics, Inc.
1235 Wall Street
Ironwood, Michigan 49938*

Jim Donaldson introduced Elvin Stephens from Ironwood Plastics, Inc., and Philip Musser from the Keweenaw Industrial Council in Houghton County.

Mr. Stephens explained that Ironwood Plastics, Inc. is a family owned business that was incorporated in Michigan in 1979. Ironwood Plastics is a custom injection molder of plastic products, providing internal mold making, design, and engineering services chiefly for the automotive, electrical connector and defense industries. The company currently employs 140 at its Ironwood facility and 50 at the Wisconsin facility. The company generates \$20 million in annual sales from its locations in Ironwood, Michigan and Two Rivers, Wisconsin.

Ironwood Plastics needs to expand its capacity to meet customer demand. It is considering a site in the Houghton County Airpark Renaissance Zone for a new production facility. The new facility will be staffed with up to 96 employees by the fifth year of operation. Hourly wages are expected to average \$9.50 to \$10 per hour. In the first five years of operation, investment in land, building and equipment is expected to be approximately \$9 million.

Mayor Hollister asked when the project is scheduled to begin. Mr. Stephens explained that the company plans to begin construction on or about the first of July and that they must work quickly. Because of weather constraints, the steel must be in place by November 1st. They are hoping to be up and running by next spring.

It is estimated that this facility will generate a total of 146 jobs in the state by the year 2017. Total state government revenues through the year 2017, would be increased by \$6.8 million.

Ironwood Plastics operates a facility in Two Rivers, Wisconsin that could be expanded to meet its production needs. Wisconsin state and local officials have offered incentives to encourage expansion at this location. Because the Wisconsin plant is established and equipped, the expansion could be done at lower cost at that location. In Michigan, the company faces higher labor and facilities costs. The differential is estimated to be \$500,000 per year once the project is fully staffed.

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of 30 new employees, up to \$15,000.

The Keweenaw Industrial Council and Houghton County have approved assistance in the form of reduced cost land valued at approximately \$40,000, have paid the MEGA

application fee for the company, and will be providing loans for the project at prime rate. Loans totaling \$165,000 from the county revolving loan fund and from the Keweenaw Industrial Council's revolving loan fund have been offered. Phil Musser from the Keweenaw Industrial Council expressed the community's support and delight at seeing this company's plans for expansion in their midst.

The company will also be receiving the benefits of location in a Renaissance Zone, which provides exemption from the single business tax, and from most state and local property taxes. The value of this benefit is estimated to be \$850,000.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit for a total of 13 years. We recommend a 100 percent employment tax credit for ten years, a 75 percent employment tax credit for the eleventh year, a 50 percent employment tax credit for the twelfth year, and a 25 percent employment tax credit for the thirteenth year for up to 96 net new employees.

Board Discussion

Tim Ward gave the Executive Committee report. Tim recommended that the MEGA board approve the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2003-09, approving a MEGA tax credit for Ironwood Plastics, Inc., was adopted.

ACTION ITEM

*Statprobe, Inc.
5430 Data Court, Suite 200
Ann Arbor, Michigan 48108*

Jim Paquet presented the company's request for an extension of its anniversary date. In January of 2001, the MEGA approved tax credits for Statprobe, Inc.'s expansion of its full-service contract research operations and relocation of its headquarters in a leased facility in Pittsfield Township, Washtenaw County. In its MEGA Agreement, Statprobe committed to maintaining its base employment level of 184, and creating at least five new jobs by December 31, 2002.

The company moved into its new facility in October 2001 and added thirty new jobs in 2002. However, due to acquisitions in the pharmaceutical industry and because of a softening in the company's business in other industry sectors, it has had to allocate all of the new jobs it created to maintaining its Base Employment Level. Statprobe, Inc.'s total employment was 176 at year-end 2002.

The company has requested an extension of its anniversary date to allow it to qualify for the credit. Statprobe believes that its introduction of a new product, its staffing of a new medical safety department, and a slowing of the current contraction in the pharmaceutical industry, will allow it to grow.

Recommendation

Staff recommends that the MEGA extend Statprobe, Inc.'s anniversary date for one year, to December 31, 2003, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged. The extension will give the company the opportunity to qualify for the last four years of its credit.

Board Discussion

Hearing no discussion from the board, a motion was made and supported to allow the extension of Statprobe, Inc's anniversary date to December 31, 2003. Resolution 2003-10 was adopted.

The meeting was adjourned at 10:45 a.m.