

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on April 18, 2006, at 10:00 a.m.

### Members Present

Jim Epolito

Bo Garcia

Mike Kapp (acting for and on behalf of Kirk Steudle, authorization attached)

Sande-Bain MacLeod

Scott Schragger (acting for and on behalf of Robert Kleine, authorization attached)

Robert Swanson

### Others Present

Karen Ammarman, MEDC

Peter Anastor, MEDC

Amy Banninga, MEDC

Thad Beard, City Manager, City of Otsego

Tiffany Bloom, MEDC

Brian Breneman, Second Chance Armor

Toni Brownfield, MEDC

Candace Butler, General Motors Corporation

Jim Donaldson, MEDC

Richard Fish, Monomoy Capital Partners

Pat Greve, AKT Peerless Environmental Services

Glenn Katz, Second Chance Armor

Christine Kelly, Genesee County Land Bank

Carol Knobloch Johns, MEDC

Phillip J. Moore, City Manager, City of Alma

Mark Morante, MEDC

Susan Novakoski, MEDC

Mike Pohnl, MEDC

Art Potter, Genesee County Land Bank Authority

Matthew Rick, Attorney General's Office

Dan Salisbury, United States Gypsum (USG)

Don Schurr, Gratiot County Brownfield Redevelopment Authority

Mike Shore, MEDC

David Simon, President, Alma Iron & Metal

Joseph Sproles, General Motors Corporation

Tom Tarleton, MEDC

Vern Taylor, MEDC

Joel Thompson, Mayor, City of Otsego

David Zenger, Hess Industries, Inc.

**Call to Order**

Robert Swanson called the meeting to order at 10:15 a.m.

**Approval of Minutes from March 22, 2006**

After review, a motion was made, supported and carried that board meeting minutes from the March 22, 2006 meeting be adopted

**Public Comment**

There was no public comment.

**ACTION ITEM**

*Hess Industries, Inc.  
2950 Redfield Road  
Niles, Michigan 49120*

Jim Donaldson introduced David Zenger from Hess Industries and Richard Fish from Monomoy Capital Partners. Mr. Zenger discussed the project. Hess Industries Inc., designs and builds metal-forming equipment, welding equipment, and integrated manufacturing systems for manufacturing companies in home appliances, consumer goods, HVAC and heavy industrial equipment, and automotive and automotive parts manufacturing. The company is owned by Monomoy Capital Partners, and is based in Michigan and Indiana, where it operates through three subsidiaries, Hess Engineering, Capitol Technologies and X-Cel Steel Fabricating. The company and its affiliates currently employ 139 people in Michigan.

Mr. Zenger explained that Hess Industries desires to relocate its Capitol Technologies division from Indiana to Michigan. To accommodate the consolidation, the company would expand its current operations in Milton Township (Niles) and transfer jobs and equipment from Indiana. The project would lead to the creation of 131 new jobs in Michigan, paying an average weekly wage of \$936. The alternative to consolidating operations in Michigan is to consolidate operations in Indiana.

The project would require an investment of \$4.5 million, including \$1.3 million for building additions and renovations, \$2.7 million for new and transferred machinery and equipment and computers, and \$500,000 for moving expenses related to the consolidation of facilities.

It is estimated that this facility will create a total of 142 jobs in the state by the year 2011. We also estimate that the project will generate total state government revenues through the year 2011, of \$2.1 million due to the expansion of this facility.

Hess Industries is also considering its current facility in South Bend, Indiana for the consolidation of operations. The facility in South Bend could accommodate the consolidation without additional capital investment, saving the company \$1.2 million in building costs. In addition, the company would need to transfer fewer machines if consolidating to Indiana, saving on the costs to relocate equipment. Operationally, the facilities have similar costs, however Indiana would provide savings in electrical utility costs of \$50,000 per year and unemployment insurance costs of \$60,000 per year.

Milton Township has proposed a 50 percent PA 198 tax abatement for the new real and personal property related to this project for 12 years. The estimated value of this abatement is \$299,000. A public hearing on the abatement will take place in mid-May, with a decision on final tax abatement approval expected in June.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for five years, for up to 131 new employees.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2006-18, authorizing a standard MEGA tax credit for Hess Industries, Inc., was adopted

### **ACTION ITEM**

*Otsego Paper, Inc.  
125 South Franklin Street  
Chicago, Illinois 60606*

Dan Salisbury from United States Gypsum Corporation (USG) was introduced to the board. Mr. Salisbury explained the project. Otsego Paper, Inc., is a wholly owned subsidiary of USG. USG is noted for its building gypsum board product trade names, such as "Sheetrock" and "Durock". The company's parent has filed Chapter 11 bankruptcy. Bankruptcy protection was sought solely to provide protection from asbestos related claims, and the company does not plan to emerge from bankruptcy until this issue is addressed through federal legislation. In 2005, the company reserved \$3.1 billion to address claims in anticipation of its potential exposure. The company continues to grow and operate profitably despite this issue.

Otsego Paper is proposing to acquire and upgrade the former Menasha Paper facility in Otsego, which closed in August 2005. USG presently owns seven paper mills in the United States that produce the paper required for the front and back of its Sheetrock

panels. The capacity of these mills is insufficient for their present requirements and projected future needs.

If the company undertakes the project, an investment of up to \$102 million will be required to upgrade the existing recycled pulping facilities, rebuild one of the existing paper machines, provide additional warehouse facilities and perform environmental remediation. The project will lead to the creation of 112 new jobs in Michigan, paying an average weekly wage of \$789.

It is estimated that this facility will create a total of 201 jobs in the state by the year 2012. We also estimate that the project will generate total state government revenues through the year 2012, of \$3.8 million due to the expansion of this facility.

The company has considered similar projects in a number of locations, including New York, Ohio, Indiana and Ontario. The principal competing location for this project is an expansion of an existing USG paper plant in Oakfield, New York. Since the New York project is an expansion of an existing company-owned facility, acquisition and upgrade of the Otsego facility will cost \$21 million more than an expansion of the New York plant.

Thad Beard from the City of Otsego, along with Mayor Joel Thompson, was on hand to convey community support for the project. The City of Otsego has proposed a 50 percent PA 198 tax abatement for the new real and personal property related to this project for 12 years. The estimated value of this abatement is \$6.6 million. Final tax abatement approval is expected in May, 2006.

Additionally, the State of Michigan has offered an abatement of the entire six-mill state education tax worth an estimated \$1.6 million. Training support of \$56,000, offered through the Economic Development Job Training (EDJT) program, will also be made available to support the project.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for five years, for up to 112 new employees.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested MEGA tax credit, even considering that the average weekly wage figure that was presented to the committee is now presented lower. The change was discussed noting that it did not alter the need for the requested tax credit. Scott Schrage talked about the fact that the company is in bankruptcy and that this was a part of the Executive Committee's discussion.

Robert Swanson asked whether the company will hire displaced employees from Menasha. Mr. Salisbury said that upon application, these skilled workers will be considered.

Hearing no further discussion, a motion was made and supported and Resolution 2006-19, authorizing a standard MEGA tax credit for Otsego Paper, Inc., was adopted.

### **ACTION ITEM**

*Second Chance Armor, Inc.  
7915 Cameron Street  
Central Lake, Michigan 49622*

Jim Donaldson introduced Glenn Katz and Brian Breneman from Second Chance Armor, Inc. Second Chance Armor, Inc., is a wholly owned subsidiary of Armor Holdings, Inc., a diversified manufacturer of branded products for the military, law enforcement, and personnel safety markets. In July of 2005, Armor Holdings, Inc., purchased certain assets of Second Chance Body Armor, Inc., (SCBA) a Michigan-based manufacturer of bullet-resistant vests. SCBA had been in business for approximately 30 years when it filed for bankruptcy in October of 2004 as a result of several product liability actions. At that time SCBA was the leading producer of concealable body armor for police and military applications, with annual domestic sales in the \$30 to \$50 million dollar range.

This project is aimed at re-establishing and expanding the manufacturing of concealable body armor, primarily for law enforcement. This Michigan-based operation will be adding a new brand of armor for the law enforcement community. The proposed location of the expanded manufacturing operation will be in Central Lake Township, Michigan, Antrim County.

The manufacture of a new armor product will require the expansion of an existing facility. The location in Central Lake Township had been shut down due to the previous company's legal and bankruptcy issues. Second Chance Armor, Inc., (Armor Holdings, Inc.) currently employs 29 and would like to rehire many of the skilled workers that were laid off during that bankruptcy.

To accomplish this expansion of the Michigan-based operation, the company expects to invest \$1,075,000 in expansion of the existing facilities and purchase of equipment over a five year period.

The total number of jobs to be added will be in the range of 60 to 100 over the next three years. The average wage will be \$9.95 per hour.

It is estimated that this facility will create a total of 160 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, of \$3.1 million due to the location of this facility.

The other location being considered for expansion to meet the needs of this project is the Second Chance operation in Geneva, Alabama, where the company already has a concealable armor manufacturing facility with a similarly skilled workforce and capacity to absorb this production. When comparing the Michigan and Alabama locations, the company estimates that labor costs in Geneva are significantly lower than in Central Lake. When this project is fully staffed, labor costs in Michigan are expected to be \$904,000 higher over the first five years than if the expansion were to take place in Alabama.

The Township of Central Lake has proposed 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of the local property tax abatement is \$70,000. Toni Brownfield read a letter from the Township of Central Lake, outlining its intention to meet and support the project on May 3, 2006.

### **Recommendation**

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

### **Board Discussion**

Bo Garcia gave the report on behalf of the Executive Committee. The committee has recommended support of the company's request for a MEGA rural tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2006-20, authorizing a rural MEGA tax credit for Second Chance Armor, Inc, was adopted.

### **ACTION ITEM**

*General Motors Corporation  
Willow Run Power Train Operations  
Ecorse and Wiard Roads  
Ypsilanti, Michigan 48198-6198*

The General Motors Willow Run Transmission operation currently employs 3,114 workers and produces 4-speed and 6-speed transmissions for cars and trucks and also makes components for transmissions that are built at other company facilities.

The facility was approved for a 20-year Retention MEGA Tax Credit in November, 2002 in order to stimulate production of a new 6-speed transmission and retain 850 employees.

Candace Butler and Joe Sproles from General Motors Corporation (GM) were present to explain the company's request. The project at the GM Ypsilanti Willow Run facility would add additional 6-speed rear wheel drive transmission modules, necessitating an

investment of up to \$125 million and allow for the retention of up to 2,000 employees. The retained jobs would pay an average weekly wage of \$1,066 and provide a benefit package worth up to 30% of wages.

It is estimated that this facility will retain a total of 13,490 jobs in the state by the year 2027. We also estimate that the project would maintain total state government revenues through the year 2027, of \$1.22 billion due to the retention of this facility.

While the company would like to see the Willow Run operation continue to gain investments, it is making decisions based on a number of variables, including available capacity, a successful labor agreement and an incentives plan from State and local government that will enhance the business case and strengthen the company's ability to achieve General Motors board approval for the project.

The most cost effective location for the company to add this new production would be at a facility in another North American location. Due to higher labor and utility costs, the cost at the Willow Run plant is \$11 million higher each year than the other locations under consideration.

The State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$1.9 million.

Ypsilanti Township approved a 12-year PA 198 property tax abatement for all new real and personal property related to this project on February 7, 2006. The estimated value of the PA 198 abatement is \$6.9 million.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 20-year employment retention credit consisting of 100 percent for the first year and 25 percent for years two through twenty, for the retention of up to 2,000 jobs. GM will also be required to make an investment of at least \$100 million at the Ypsilanti Willow Run Transmission facility and an investment of at least \$265 million at the Warren Transmission facility to qualify for this credit.

### **Board Discussion**

Bo Garcia gave the report on behalf of the Executive Committee. The committee has recommended support of the company's request for a MEGA retention credit.

Peter Anastor clarified that this tax credit will not begin until after the credit that was granted in 2002 has been triggered.

Hearing no further discussion, a motion was made and supported and Resolution 2006-21, authorizing a MEGA retention credit for General Motors Corporation – Willow Run, was adopted.

## **ACTION ITEM**

*Gratiot County Brownfield Redevelopment Authority  
136 South Main Street  
Ithaca, Michigan 48847  
Alma Iron & Metal redevelopment project*

Mark Morante introduced Donald Schurr from Gratiot County. Mr. Schurr introduced David Simon and discussed the Alma Iron & Metal redevelopment project. The project will redevelop a contaminated 10-acre site for Alma Iron & Metal Company, for the recycling of scrap metal, paper and plastic. The plant operations will consist of 17,000 square feet and 3,600 square feet of office space. This project will relocate Alma Iron & Metal from the existing downtown riverfront property to 1430 Williams Street within an Industrial Development District. This relocation will allow for the redevelopment of the contaminated industrial site in downtown Alma on the riverfront and the contaminated industrial parcel as outlined in the City of Alma's redevelopment master plan.

The contamination at the riverfront property will be addressed with a \$900,000 EPA/DOJ Supplemental Environmental Project award to the City of Alma.

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

This project will enhance the City of Alma's tax base by bringing this vacant and underutilized property onto the tax rolls as a vibrant industrial operation. It is anticipated that four permanent jobs will be created with 28 permanent jobs retained.

For December 2005, the unemployment rate for Gratiot County was 7.9%. This is higher than the statewide seasonally adjusted average of 6.7% in December 2005.

The groundwater is contaminated with hydrocarbons originating at the property to the south and is in excess of the Generic Residential Drinking Water Cleanup criteria. A proposed slurry wall containment structure will be installed to prevent migration of groundwater contamination onto the property.

The developer is making private investment in the amount of \$2,224,902 and has been approved for a Brownfield Single Business Tax Credit in the amount of \$222,490.

A work plan request is being submitted to MDEQ seeking approval of \$17,480 to reimburse the cost of environmental eligible activities.

Phillip Moore from the City of Alma was introduced. Mr. Moore expressed community support for the project. The City of Alma is approving a tax abatement that will reduce the available mills for capture to 15 mills school operating and 13.71 mills local capture. Based on the local 12-year tax abatement, the tax capture breakdown is as follows:



School Tax Capture	\$286,244 (52%)
Local Tax Capture	<u>+264,226 (48%)</u>
Total	\$550,470

Site Preparation	\$290,560
Infrastructure Improvements	<u>+187,240</u>
Sub-Total	\$477,800
Contingency (15%)	<u>+ 71,670</u>
Total Eligible Activities	\$549,470
MEDC/MSHDA Work Plan Review	<u>+ 1,000</u>
TOTAL	\$550,470

The project is located in the City of Alma, a qualified local governmental unit and the site is a "facility". The property is the subject of a brownfield plan approved by the Gratiot County Board of Commissioners on August 19, 2005 with the concurrence of the City of Alma.

**Recommendation**

The Brownfield Redevelopment staff recommends approval of school tax capture not to exceed \$286,244 based on eligible activities totaling \$550,470 as described above.

**Board Discussion**

Bo Garcia gave the report on behalf of the Executive Committee. The Executive Committee has recommended support of the school tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2006-22, authorizing the capture of school operating taxes for Gratiot County for the Alma Iron & Metal redevelopment project, was adopted.

**ACTION ITEM**

*Genesee County Brownfield Redevelopment Authority  
519 S. Saginaw Street, Suite 210  
Flint, Michigan 48502  
Genesee County Land Bank Fast Track Authority project*

Pat Greve from AKT Peerless Environmental Services introduced Art Potter and Christine Kelly from the Genesee County Land Bank Fast Track Authority. The Genesee County Brownfield Redevelopment Authority has requested an amendment to the 381 Work Plan originally approved by the MEGA Board on January 18, 2005. Ms. Kelly discussed the need for approval of the requested amendment. The amendment will increase the number of properties included in the Work Plan by 895 parcels in 12 communities. The largest number of these parcels is located in the City of

Flint. The amendment does not request an increase in the amount of funding. The tax capture of the plan will remain at \$4,910,000.

The Genesee County Land Bank Fast Track Authority, acting as developer, proposes to conduct eligible activities on eligible properties, which are scattered sites located primarily in the City of Flint. There are eligible properties also located in 15 other communities throughout Genesee County for a total of 16 participating communities. The project is speculative; however, Genesee County has backed a bond issue by the County Brownfield Redevelopment Authority to perform demolition work on 439 units, lead and asbestos abatement on 60 units and site preparation on 200 sites located on parcels of eligible property included in the Plan. The amended brownfield plan and work plan shows the parcels located in the 16 Genesee County communities and these communities have indicated their support for the brownfield plan by passing concurrence resolutions.

The Genesee County Land Bank Fast Track Authority will seek to use other funding to continue conducting eligible activities on the various sites as the funds and redevelopment opportunities become available. The Land Bank Fast Track Authority intends to submit project pre-approval applications for brownfield SBT credits on eligible activities in the future.

The amounts approved on January 18, 2005 are 54.2074 mills available for capture (based on averaging millage rates and other factors in participating communities), with school millage equaling 24 mills (44.27%) and local millage equaling 30.2074 mills (55.73%). The tax capture breakdown remains as follows:

Local Tax Capture	\$2,736,343 (55.73%)
School Tax Capture	<u>+2,173,657 (44.27%)</u>
Total Capture	\$4,910,000 (100%)
Demolition	\$ 2,370,600
Lead and Asbestos	1,444,180
Operation & Maintenance Plans	6,000
Site Preparation & Title Clearance	229,020
Plan Preparation & Review	10,000
Infrastructure Improvements	200,000
Bond Interest	800,000
Contingency	<u>+ 95,200</u>
Total Eligible Activity Costs	\$ 5,155,000
EPA Site Assessment/Revolving Loan Fund	<u>(245,000)</u>
Total MEGA Eligible Activity Costs	\$ 4,910,000

The properties qualify on the basis that they are tax reverted and are owned or under the control of the Genesee Land Bank Fast Track Authority. These sites are the subject of a Brownfield Plan approved by the Genesee County Brownfield Redevelopment Authority and the Genesee County Board of Commissioners. The Brownfield Plan also

has concurrence resolutions approved by the 16 communities that have parcels included in the Plan.

**Recommendation**

The Brownfield Redevelopment staff recommends approval of the amended work plan. There will be no increase in the tax capture amount. It will remain at \$4,910,000 with school tax capture remaining at \$2,173,657 based on eligible activities as described above.

Bo Garcia gave the report of the Executive Committee. The Executive Committee recommended support of the amended work plan and request for school tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2006-23, authorizing an amendment to the work plan for the Genesee County Land Bank Fast Track Authority project, was adopted.

**ACTION ITEM**

*Charter Township of Redford Brownfield Redevelopment Authority  
15145 Beech Daly Road  
Redford, Michigan 48239  
JNCC/Shamrock*

Vern Taylor discussed this project and the request for an amendment to Board Resolution 2005-98. The Township of Redford's work plan request for the Shamrock Village project was approved at the December 20, 2005 MEGA board meeting. Some of the activities included in the work plan were not accurately estimated based on the actual project proposed by the developer, which were obtained after the original work plan request. The Township has provided updated cost estimates to support the work plan.

The changes to the original work plan are as follows:

<b>Activities Approved On 12-20-05</b>	<b>Activity Amount Approved On 12-20-05</b>	<b>Amended Activity Request</b>	<b>Increase</b>
Public Infrastructure Improvements	\$0	\$2,157,000	\$2,157,000
Site Preparation	\$905,000	\$1,954,725	\$1,049,725
Lead and Asbestos Removal	\$0	\$25,000	\$25,000
Demolition	\$450,000	\$805,200	\$355,200
Contingency (10%)	\$150,000	\$494,193	\$344,193
Municipal Bond Interest @ 6%	\$0	\$0	\$0
<b>TOTAL</b>	<b>\$1,505,000</b>	<b>\$5,436,118</b>	<b>\$3,931,118</b>

There are 30.08 mills available for capture, 6 school mills (19.9%) and 24.08 local mills (80.1%). The recommended tax capture breaks down as follows:

School tax capture	\$1,081,787 (19.9%)
Local tax capture	<u>+4,354,331 (80.1%)</u>
	\$5,436,118

Demolition	\$ 805,200
Site Preparation	1,954,725
Lead and Asbestos Removal	25,000
Public Infrastructure	2,157,000
Contingency (10%)	<u>+ 494,193</u>
Total	\$5,436,118

**Recommendation**

The Brownfield Redevelopment staff recommends approval of the amended work plan request to capture school taxes, not to exceed \$1,081,787 based on eligible activities totaling \$5,436,118.

**Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the request for amendment to the JNCC/Shamrock Village redevelopment project.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-24, authorizing an amendment to the previously approved work plan and requested school tax capture for Redford Township for the Shamrock Village redevelopment project, was adopted.

The meeting was adjourned at 11:10 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, May 16, 2006.



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

ENNIFER M. GRANHOLM  
GOVERNOR

KIRK T. STEUDLE  
DIRECTOR

March 10, 2006

Ms. Karen Ammarman  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Ms. Ammarman:

As of March 3, 2006, I am appointing Jacqueline G. Shinn, Acting Chief Deputy Director, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In the case when Ms. Shinn is unable to attend a particular board meeting due to scheduling conflicts. I am appointing Michael Kapp, Acting Administrator, Transportation Economic Development and Enhancement, as my alternate representative to attend and act on my behalf.

If you have any question regarding these appointments, please call me at 373-0718.

Sincerely,

A handwritten signature in cursive script that reads "Kirk T. Steudle".

Kirk T. Steudle, P.E.  
Director



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

March 9, 2006

Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, MI 48913

To Whom It May Concern:

I hereby designate Scott Schrager, to represent the State Treasurer at meetings of the Michigan Economic Growth Authority Board, which I am unable to attend.

Sincerely,

A handwritten signature in cursive script that reads "Julie Croll".

Julie Croll,  
Chief Deputy Treasurer