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 19, 2005, at 10:08 a.m.

Members Present

Cullen DuBose
Bo Garcia
David Hollister
Michael Kapp (acting for and on behalf of Gloria Jeff, authorization attached)
Andrew Lockwood (acting for and on behalf of Jay Rising, authorization attached)
Sande MacLeod
Sandy Ring (acting for and on behalf of Donald Jakeway, authorization attached)

Others Present

Peter Anastor, MEDC
Karl Dehn, Battle Creek Unlimited
Patricia Denig, Washtenaw County
Jim Donaldson, MEDC
Jessica Eisenman, Washtenaw County
Gregory Erne, REDICO Management, Inc.
Chuck Holmes, Cityof Farmington Hills
Sue Jackson, The Right Place, Inc.
David Jeup, TransCorp Advisors, LLC
Jeff Kaczmarek, MEDC
Kathy Kleckner, MEDC
Carol Knobloch Johns, MEDC
Susan McCormick, MEDC
Pauline Millichamp, MEDC
Mark Morante, MEDC
Matt Naud, City of Ann Arbor
Jim Paquet, Secretary to the Board
Mariangela Pledl, Detroit Economic Growth Corporation
Sandy Ring, COO, MEDC
Christine Roeder, MEDC
Tony Sanders, X-Rite, Incorporated
Scott Schappelle, Terra Management Co.
Tom Schimpf, Assistant Attorney General
Eric Stavriotis, Pollina
David Stevanovski, COO, American Communication Network
Vern Taylor, MEDC
Randy Thelen, President, Lakeshore Advantage
Bob Trezise, MEDC

Call to Order

David Hollister called the meeting to order at 10:03 a.m.

Approval of Minutes from March 15, 2005, and April 12, 2005

After review, a motion was made, supported and carried that board meeting minutes from both the March 15, 2005 meeting, and the April 12, 2005 meeting, be adopted.

Public Comment

There was no public comment.

ACTION ITEM

American Communications Network, Inc.
32991 Hamilton Court
Farmington Hills, Michigan 48334

American Communications Network (ACN) launched operations in 1993 and is now a leader in the global communication industry. The company markets and provides telecommunications products including local and long distance telephone, internet-DSL, VOIP and wireless services. Jim Donaldson introduced David Stevanovski with American Communications Network, Inc. Mr. Stevanovski briefed the board on the company's search for a new location for their headquarters. ACN provides services in 18 countries including Canada, the United Kingdom, France, Germany, Italy, and Australia. The company is headquartered in Farmington Hills and currently has 477 employees in Michigan. Chuck Holmes from the City of Farmington Hills was introduced. Mr. Holmes expressed community support for this project.

ACN is considering a new location for their headquarters due to the company outgrowing their current facility in Farmington Hills. The company would purchase an existing building or lease space in an existing building in Farmington Hills. The company has not finalized their building search, which is focused strictly in Farmington Hills, but they need to finalize their decision to remain in Michigan. Once a suitable facility is located, the company would create 78 new jobs in the first year of the project and a total of 575 jobs over five years. The new positions would start at an average weekly wage of $649.

The project would require a new capital investment of $5 million for new office furniture and computers and up to an additional $27 million for building purchase or capitalized lease costs in Farmington Hills.

The company would not be able to collect on any tax credits until they purchased or leased a facility in Farmington Hills.

It is estimated that this facility will create a total of 848 jobs in the state by the year 2017. We also estimate that the project would create total state government revenues through the year 2017, of $18.4 million due to the location of this facility in Michigan.

In addition to Farmington Hills, ACN also considered Charlotte, North Carolina for their new headquarters operations. The company has several top executives who reside in North Carolina, as well as some of the marketing functions being located there. A location in Charlotte would allow the company to have lower annual operating costs due to lower salary and wage costs in North Carolina. A comparison of the wage differential indicates ACN could save over $2 million annually on salaries of new employees, once the facility is fully operational.

The City of Farmington Hills Economic Development Corporation approved a $16,100 training grant in support of this project on December 15, 2004. The grant will provide software training for new ACN employees in Farmington Hills.

The City of Farmington Hills will also waive building permit fees related to this project. The estimated value of the fee waiver is $12,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 575 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report and on behalf of the committee, recommended approval of the requested tax credit.

Jim Paquet discussed the resolution. On page 2, sub-section (e), the resolution stipulates that the company will purchase or sign a long-term lease on a building related to this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-31, authorizing a standard MEGA tax credit for American Communications Network, Inc., was adopted.

ACTION ITEM

X-Rite, Incorporated
3100 44th Street SW
Grandville, Michigan

Jim Donaldson presented this project to the board and introduced Tony Sanders with X-Rite, Incorporated, and Sue Jackson from The Right Place, Inc. Founded in 1958, X-Rite's products and services generated $126.2 million in revenue during fiscal year

2004. X-Rite helps companies grow more profitable by providing hardware, software and support solutions that ensure color accuracy and data communication when color output is critical to business. The company's worldwide customer base crosses a variety of markets such as graphic arts, printing, packaging, digital and on-demand printing, manufacturing, and retail color matching. X-Rite products include the MatchRite color measurement system, the new Pocket Palette for Benjamin Moore, the 500 and 939 series SpectroDensitometers. X-Rite provides a variety of products that measure and track color data, leading customers to more efficient and profitable solutions in managing their businesses and markets.

X-Rite's current headquarters campus is land-locked and is unsuitable to meet the expansion plans and long-term growth projections for the company. The company is considering sites in Kentwood and Charlotte, NC.

If the company chooses Kentwood, it will renovate an existing building. The total cost of building and improvements will be approximately $25 million. X-Rite expects to spend approximately $4 million for machinery and equipment per year for the first five years. Capital investment will be approximately $44.5 million.

X-Rite employs 416 persons in the Grand Rapids area and proposes to hire an additional 316 employees in the next five years. Average weekly wage for qualified new employees will be $1,489. Construction will begin in summer 2005 with operations commencing in the new facility by spring 2007. Sue Jackson expressed community support for this project.

It is estimated that that this facility will create a total of 313 jobs in the state by the year 2011. We also estimate that the project would create total state government revenues through the year 2020, of $30.6 million due to the location of this facility.

X-Rite performed a comprehensive analysis of potential sites. The focus was narrowed to Kentwood and two sites in North Carolina. The company found that sites in North Carolina offered significant incentives to attract the company. In addition, there is a wage differential between Kentwood and the Charlotte, North Carolina area of at least five percent, potentially increasing company costs further for a location in Michigan.

The City of Kentwood approved a 12-year tax abatement for real and personal property on March 15, 2005. This abatement is estimated to be $2.3 million over the term of the abatement. The State is offering a 50 percent abatement of the six-mill state education tax, worth up to $350,000 for a term to match the local abatement. In addition, Michigan is also offering training funds of up to $1 million for a total of 736 existing and new workers. An additional $500,000 is offered to offset the cost of recruitment of workers to Michigan.

Recommendation

The Michigan Economic Development Corporation recommends a 14-year employment tax credit of 100 percent for up to 316 net new employees.

Board Discussion

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

Hearing no further discussion, a motion was made and supported and Resolution 2005-32, authorizing a standard MEGA tax credit for X-Rite, Incorporated, was adopted.

ACTION ITEM

Hoover Universal, Inc.
49200 Halyard Drive
Plymouth, Michigan 48170

Jim Donaldson presented this project to the board and introduced David Duesterberg from Hoover Universal, Inc. in Holland, Michigan. Hoover Universal is a wholly owned subsidiary of Johnson Controls, a global market leader in automotive systems and facility management and control. In the automotive market, it is a major supplier of integrated seating and interior systems, and batteries. For nonresidential facilities, Johnson Controls provides control systems and services including comfort, energy and security management.

Hoover Universal is considering a site in Reynosa, Mexico or a complete re-tooling of a Johnson Controls manufacturing plant that produces a different product, and is part of a different unit within Johnson Controls. The new operation will manufacture metals components for seating platform applications, throughout the midwest region. The new manufacturing processes at this proposed plant are not in operation anywhere in the world today. The building itself will require only minor renovation, however, the project investment is approximately $69 million in personal property, and the project is projected to retain 544 jobs with an average weekly wage of approximately $679.

It is estimated that this facility will retain a total of 1,234 jobs in the state by the year 2019. We also estimate that the project would create total state government revenues through the year 2019, of $55.3 million due to the location of this facility.

Hoover Universal is considering two locations for this expansion; Holland Charter Township and Mexico. When comparing the locations, the company estimates that wage rates in Mexico are approximately 10 percent of wage costs in Michigan. However, transportation costs will exceed costs for a Michigan location by up to $20 million annually, partially offsetting the wage differential. When this project is fully staffed, that business cost differential would be approximately $4 million per year.

Holland Township has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is $4,800,000. Randy Thelen with Lakeshore Advantage was present and conveyed community support for this expansion in Michigan. The local tax abatement is expected to be finalized on May 5, 2005. In addition, the State of Michigan has offered 100 percent abatement of the six-mill state education tax, worth up to $1,008,000 for the same period as the local abatement.

Recommendation

The Michigan Economic Development Corporation recommends a 14 year credit with a 100 percent employment tax credit for the first 10 years, and a 50 percent employment credit for years 11 through 14, for up to 544 retained employees.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the requested retention credit.

Hearing no further discussion, a motion was made and supported and Resolution 2005-33, authorizing a retention credit for Hoover Universal, Inc. - Holland, was adopted.

ACTION ITEM

Hoover Universal, Inc.
49200 Halyard Drive
Plymouth, Michigan 48170

Mr. Duesterberg remained in place to explain this project to the board. Karl Dehn from Battle Creek Unlimited was introduced. Mr. Dehn expressed community support for the project. Mr. Duesterbert explained that Hoover Universal is considering a site in Fremont, Ohio, or a complete re-tooling of a Johnson Controls manufacturing plant that produces a different product, and is part of a different unit within Johnson Controls. The new operation will manufacture metals components for a variety of seating applications throughout the midwest region. The new manufacturing processes at this proposed plant are not in operation anywhere in the world today. The building itself will require major renovation. The project investment is approximately $49 million in real and personal property, and the project is projected to retain 203 jobs with an average weekly manufacturing wage of approximately $672.

It is estimated that this facility will create a total of 520 jobs in the state by the year 2025. We also estimate that the project would create total state government revenues through the year 2025, of $31.6 million due to the location of this facility.

Hoover Universal is considering two locations for this expansion; Battle Creek and Fremont, Ohio. When comparing the locations, the company estimates that wage rates in Ohio are equivalent to Battle Creek. However, business taxes in Ohio are significantly lower and Ohio is offering an aggressive incentive package. When this project is fully staffed, that business cost differential would be approximately $1 million per year.

The City of Battle Creek approved a 50% abatement of property taxes for new real and personal property in November 2004. The estimated value of the local property tax abatement is $5.4 million. In addition, the state has offered 100 percent abatement of the six-mill state education tax for any real and personal property, worth up to $1.8 million for the same term as the local abatement.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years and a 100 percent business activity credit for 20 years, for the retention of up to 203 employees.

Board Discussion

Bo Garcia gave the report from the Executive Committee. The Executive Committee agrees to the requested retention credit for Hoover Universal, Inc. – Battle Creek.

Discussion was heard regarding wording in the resolution, which speaks to the company's requirement to not only retain 203 employees at the Battle Creek facility, but to retain a total of 3,311 full-time jobs at this and its affiliates, within the state.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-34, authorizing MEGA retention credits for Hoover Universal, Inc., was adopted.

ACTION ITEM

DaimlerChrysler Corporation
1000 Chrysler Drive
Auburn Hills, Michigan 48326

Jim Paquet discussed this request for amendment. The board was reminded that, on February 15, 2005, DaimlerChrysler Corporation was approved for a five-year retention MEGA tax credit. The credit was awarded in order to retain 5,123 workers at DaimlerChrysler's Sterling Heights Stamping and Assembly operations in Sterling Heights.

At the time of the MEGA application, the City of Sterling Heights had proposed a 50 percent abatement of taxes on the company's new personal property at both the stamping facility and the assembly plant. The stamping facility was to receive an abatement to last nine years; the assembly plant was to receive a 12-year abatement, consistent with the existing Sterling heights tax abatement policy.

On March 15, 2005, the Sterling Heights City Council approved tax abatement for the stamping and assembly facilities. The assembly facility received a 12-year abatement, however, the stamping facility received only an eight-year abatement, one year less than the MEGA Resolution required. The change in the number of years was due to a larger amount of special tooling investment at the stamping facility, which actually lowered the value of the personal property eligible for tax abatement at the stamping facility. Special tooling is fully exempted from personal property taxes.

Recommendation

The MEDC recommends an amendment to the resolution approved on February 15, to change the abatement requirement from a nine-year abatement to an eight-year abatement for the stamping plant. This change will allow for the signing of the MEGA Tax Credit Agreement.

Board Discussion

On behalf of the Executive Committee, Bo Garcia has recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-35, authorizing an amendment to Resolution 2005-05, to recognize a change in local support for DaimlerChrysler Corporation, was adopted.

ACTION ITEM

Lowertown Development Group, LLC
314 M.A.C Avenue, Suite 100
East Lansing, Michigan 48823

Jeff Kaczmarek introduced Scott Chappelle with Terra Management Company, who in turn, introduced Matt Naud from the City of Ann Arbor, and Patricia Denig with Washtenaw County. The proposed redevelopment known as Broadway Village at Lower Town will revitalize a currently underutilized and environmentally contaminated 6.4-acre site to create a pedestrian-oriented, transit-supportive, mixed-use neighborhood at the heart of Ann Arbor's Lower Town. Mr. Chappelle lead this presentation. The 6.4-acre site located at Broadway and Maiden Lane, just north of Ann Arbor's downtown, has been re-zoned as a Planned Unit Development (PUD) for a mix of commercial and residential uses, including medical office space, 145 apartments (116 market rate-$1,466/month and 29 affordable-$737/month), retail, pubs, hotel, and restaurants. The project will also include a 640-space parking structure. All existing structures will be demolished in order to make way for the planned development.

Originally, the University of Michigan was going to operate a "MAC" style health facility. This will now be privately run and will likely not be affiliated with the university. As a result, the project now has much less office space and a more significant housing component. Also, this project consists of a hotel component. The developer is now negotiating the sale of this space and it is anticipated that it will be operated under a Hilton or Marriott franchise.

Excluding the parking structure, the project will construct a 508,781 sq. ft. structure of residential (45%), retail (28%), and office (6%) space. The remaining space will be used for the athletic club and maintenance space.

For this project to proceed, the City of Ann Arbor requires 75% of the project to be pre-leased. As of March 29, 2005, Strathmore Development stated that they have lease agreements in place for 60% of the project.

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

Based on an Economic Impact study of the Broadway Village at Lower Town, completed in 2003, when this project is completed it is speculated to generate more than 582 jobs. These direct jobs will exist in the retail, services, hotel, and medical office space located within the project. Additional analysis concludes that the indirect impact to the Ann Arbor labor market will result in additional job creation of over 300 jobs. These jobs will be concentrated in the retail and trade sectors.

This project is located in a Core Community. As of February, 2005, the Department of Labor & Economic Growth identified the unemployment rate within the City of Ann Arbor at 5.1 percent. This compares to five percent within all of Washtenaw County and 7.5 percent in Michigan.

Lowertown Development Group, LLC is financially capable of completing the project. The Lowertown Development Group, LLC operates in association with Strathmore Development of East Lansing. The developer has secured financing through the following sources: Private Capital, HUD Loan 220 (d), and Key Bank Real Estate Capital. Furthermore, Strathmore Development has a proven track record of completing successful projects through the use of the Brownfield Redevelopment program

The project is requesting an SBT credit of $4.5 million. In addition, the MEGA board approved a tax increment financing (TIF) request for this project on September 14, 2004. The approved 381 Work plan, totaling $66,323,250, will be used to address MDEQ and MEGA eligible activities.

During redevelopment, the site soils and groundwater will be remediated to residential cleanup criteria. It is proposed that implementation of due care activities be funded with a $1 million Brownfield Redevelopment Grant. MDEQ is in the process of reviewing the grant request and will not make a determination for at least 30 days. Additional response activities, beyond due care funded by the grant, will be funded by local brownfield TIF.

The eligible investments to be undertaken in Ann Arbor by Lowertown Development Group, LLC include:

New Construction	$81,535,157
Restoration, Alteration, Renovation	$10,740,700
Total	$92,275,857

The site is a "facility", which means that it has been determined to be a property where a hazardous substance in excess of state standards is present and that it must be given priority over non-facilities. The property is located within the boundaries of the City of Ann Arbor, a qualified local governmental unit. The project is the subject of a brownfield plan, duly approved by the Ann Arbor City Council on October 7, 2003, and by the Washtenaw County Board of Commissioners on December 3, 2003.

According to MDEQ project files and subsurface investigations conducted by Atwell-Hicks, Inc., the facility status of the subject site is predominantly associated with the presence of chlorinated solvent contamination (soil and groundwater) in connection with the historic operation of dry cleaning units in the laundromat. The estimated volume of tetrachloroethylene (PCE) impacted soil in the unsaturated zone is approximately 12,000 cubic yards. These PCE impacted soils appear to be the source of groundwater contamination detected throughout the shallow water table aquifer underlying the site. Based on previous investigations, groundwater appears to be migrating towards the east in the direction of Traver Creek.

Recommendation

The MEDC recommends approval of a Brownfield Redevelopment tax credit not to exceed $4.5 million. This amount was calculated based on the State of Michigan's involvement of 45% in the 381 work plan approved for MEGA related activities. If all of the eligible activities had been pursued through the work plan, theoretically, the state would have contributed this amount through state school tax capture. During our discussions with Strathmore Development, they stated that additional MEGA and/or MDEQ activities, approximately $10 million, had not been reimbursed through the 381 work plan. This occurred because of the City of Ann Arbor's cap on the local contribution and this is the basis for our recommendation of 45% of the eligible single business tax (SBT) credit request.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the requested Brownfield SBT credit

Hearing no further discussion, a motion was made and supported, and Resolution 2005-36, authorizing a Brownfield SBT credit for Lowertown Development Group, LLC, was adopted.

ACTION ITEM

Kennedy Square, LLC
One Town Square, Suite 1600
Southfield, Michigan 48076

Jeff Kaczmarek explained this redevelopment project to the board and introduced Gregory Erne from REDICO Management, Inc., the developer/investor. Mariangela Pledl from the City of Detroit Brownfield Redevelopment Authority, was also introduced.

Mr. Erne explained that the project consists of the construction of a new office building in downtown Detroit. The developer plans to erect a ten-story, Class-A office building on the site commonly known as Kennedy Square. The building will provide approximately 250,000 square feet of office space to at least three major tenants, and pedestrian level retail and commercial space.

The site, Kennedy Square, is southwest of the Compuware Building, and is expected to house approximately 600 information technology jobs, of the projected 900 to 1,300 professional positions. Creating more information technology jobs in the immediate area, will help to position the City of Detroit as a leading force in the information technology industry. Besides being near the Compuware Building, the site is adjacent to the newly renovated Campus Martius area, which has become an attraction in downtown Detroit.

Kennedy Square, LLC, has acquired the air rights of the site from the City of Detroit Downtown Development Authority in order to construct the building, and has entered into a lease with the same to maintain and operate the underground parking structure, which is currently publicly owned.

The City of Detroit assessor has determined the site to be functionally obsolete, making the project eligible for Brownfield consideration. The City of Detroit is a core community. The assessor cites existing foundations and infrastructure as unsuitable to accommodate the necessary size of an office building in downtown Detroit to compensate for current market conditions. The footprint of the site is not conducive to constructing a large enough office building to make the project profitable.

This project will create new employment opportunities in the City of Detroit, provide for significant job retention in the city, and increase economic opportunities in the Campus Martius area.

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

The City of Detroit's unemployment rate in January 2005 was 14.6 percent; the unemployment rate for Wayne County in January 2005 was 9 percent, and the unemployment rate for the State of Michigan in January 2005 was 7.1%.

The developer has secured financing through a $30 million mortgage from Charter One Bank N.A., a $15 million equity investment from Redico, a $3.2 million loan from the City of Detroit Downtown Development Authority, a $3,000,0000 loan from the Detroit Investment Fund, and a $3,000,000 loan from MMA.

The development of the Kennedy Square site in downtown Detroit represents another step in attracting and retaining high-quality jobs in the State of Michigan. The development is the first construction of a high-rise, multi-tenant office building in downtown Detroit in many years, and has attracted a leading local development company to invest significant capital in the project. The allocation of the Brownfield SBT credits is necessary to make the project economically feasible for the developer to proceed, and for the potential tenants to relocate into the building.

The project is located in a Renaissance Zone, exempting businesses located there from most city, county, and state taxes for activities conducted within the zone.

The eligible investments to be undertaken in Detroit by Kennedy Square, LLC include:

Site Improvements	$ 1,000,000
New Construction	$49,000,000
Addition of Machinery, Equipment And Fixtures (By Lessee)	$10,000,000
	$60,000,000

The property is functionally obsolete. The project is the subject of a brownfield plan approved by both the Detroit Brownfield Redevelopment Authority on January 28, 2005 and the Detroit City Council on March 23, 2005.

Recommendation

The MEDC recommends that the Michigan Economic Growth Authority authorize a Brownfield Redevelopment single business tax (SBT) credit, not to exceed $4,000,000.

Board Discussion

Bo Garcia gave the Executive Committee report. On behalf of the Executive Committee, Mr. Garcia recommended support of the requested single business tax credit for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2005-37, authorizing a Brownfield Redevelopment SBT credit for Kennedy Square, LLC, was adopted.

The meeting was adjourned at 10:50 a.m.

The next regularly scheduled meeting of the MEGA board is scheduled for Tuesday, May 17, 2005.