

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation (MEDC), 300 North Washington Square, on April 22, 2008 at 10:00 a.m.

Members Present

Faye Alexander Nelson
Douglas Buckler
Susan Corbin (acting on behalf of Keith Cooley, authorization attached)
Jim Epolito
Baldomero Garcia
Andrew Lockwood (acting on behalf of Robert Kleine, authorization attached)
Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

Call to Order

Jim Epolito called the meeting to order at 10:11 a.m.

Approval of Minutes from March 18, 2008

After review, a motion was made, supported and carried that board meeting minutes from the March 18, 2008, meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*MPI Research, Inc.
54943 North Main Street
Mattawan, MI 49071*

Jennifer Owens introduced William Harrison and Paul Morgan with MPI Research, Inc. (MPI), Jill Bland with Southwest Michigan First, Jerome Kisscorni from the City of Kalamazoo, and Terry McClean from the City of Mattawan. Mr. Harrison described the company for the board. MPI is a privately held pre-clinical contract research organization (CRO) that focuses on the safety evaluation and toxicology needs of the biotechnology, pharmaceutical, medical device, chemical, agricultural and related industries. The company, which was founded in 1995 through the purchase of International Research and Development Corporation out of bankruptcy, has grown from less than 300 employees to 1,500. MPI's main facility is located in Mattawan, Michigan, but also has a facility in State College, Pennsylvania with 90 employees. There is a third location in China where they have a presence through a joint venture.

Mr. Morgan provided information about the project for the board. The planned expansion by MPI is for a multi-site location. The first site will be an expansion at their current facility in Mattawan. The second site will be a new location in the City of Kalamazoo where they will occupy two existing buildings located at 126 E. Lovell St. and 267 Portage St. These buildings were left vacant as a result of the Pfizer layoffs. This location will provide further capacity for MPI's existing services described above.

Mr. Kisscorni and Mr. McClean discussed the local assistance that had been committed. Kalamazoo has committed to providing \$150,000 toward environmental due diligence and infrastructure analysis required for the renovation work at the Kalamazoo location. Mattawan has committed to providing \$100,000 to support the infrastructure needed for expanding the I-94 intersection in partnership with MDOT. This expansion is needed to accommodate the projected growth at Mattawan's headquarters.

Stephen Haakenson provided additional information about the project for the board. The estimated capital investment for this project is \$300 million over the next seven years in Mattawan, and over \$30 million in Kalamazoo. MPI expects to add a combined total of 3,300 jobs at these two locations by the end of 2013. MPI estimates an initial average weekly wage of \$864.

It is estimated that this facility will generate a total of 6,600 jobs in the state by the year 2022. Total state government revenues through the year 2022 would be increased by \$337 million due to the presence of this facility.

As an alternative to growing operations in Michigan, MPI is considering the expansion in China. MPI has recently entered into a Joint Venture agreement in China and therefore has already established a presence in the country. There are growth opportunities in China and ia substantial cost savings in labor.

The MEDC is also recommending the approval of the Kalamazoo location to be designated a Renaissance Zone, as well as a transfer of a \$2 million grant provided through the 21st Century Jobs Fund to Western Michigan University for the redevelopment of Pfizer's building in Kalamazoo.

The company is a qualified high-technology business, whose primary business activity is Life Sciences Technology, as defined in the Act.

MPI has requested a look back to March 4, 2008. The rationale being that it is imperative that the company begin preparations at its facility for work that is slated to begin soon. Key personnel will need to be hired to begin the protocol development for testing procedures related to its contract research work. The MEDC recommends that the Board authorize a look back agreement to March 4, 2008.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology look back employment tax credit for 15 years, for up to 3,300 net new employees.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for MPI Research, Inc. and recommends approval of a high-technology look back employment tax credit for 15 years.

Jim Epolito asked what the average weekly wage of the employees will be. Mr. Harrison stated the initial wage will be \$21.60 and will have a substantial increase.

Jackie Shinn asked if the company anticipates potential growth in suppliers. Mr. Harrison stated that they do anticipate growth in the company's suppliers. There are currently two vendors in Kalamazoo and they anticipate a growth in the industry of at least 15 percent.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-28, authorizing a MEGA tax credit for MPI Research, Inc., was adopted.

ACTION ITEM

*BAE Systems Land and Armaments L.P.
35843 Mound Road
Sterling Heights, MI 48310*

Larry Gormezano introduced Francis LeGasse with BAE Systems Land and Armaments L.P., Christine Bustamante with KPMG, LLP, Brandon Podolski with Plante Moran, and Luke Bonner and Mark Vanderpool from the City of Sterling Heights. Mr. LeGasse described the company and project for the board. BAE Systems is a global company engaged in the development, delivery, and support of advanced defense and aerospace systems in the air, on land, and at sea. BAE Systems has operations across five continents, with customers and partners in more than 100 countries. Principal customers include the United States Department of Defense and allies worldwide. With approximately 96,000 employees worldwide, BAE Systems is the third largest global defense company. BAE Systems has two current facilities in Sterling Heights, Michigan with 87 employees.

The Land and Armaments Operating Group is a global leader in the design, development, production, and service support of armored combat vehicles, major and minor caliber naval guns and missile launchers, canisters, artillery systems, and intelligent munitions. With nearly 18,000 employees, the Land and Armaments Operating Group has operations in 30 locations in the United Kingdom, South Africa, Sweden and the United States, with markets in more than two dozen countries.

BAE Systems is looking to construct a modern, state of the art business development and technology center focused on the requirements of the United States Department of Defense and its worldwide allies. The proposed Michigan site will remain in Sterling Heights and will include the purchase and renovation of an existing facility totaling 175,000 sq. ft. A second new facility will then be constructed adjacent to the initial site and will provide room for significant growth beyond the project being considered for this MEGA tax credit.

At this location, BAE Systems will develop a premiere facility in order to showcase the capabilities of BAE Systems, as well as attract the personnel resources required to support the product development requirements of the customer base. This proposed location will allow BAE Systems to consolidate the two existing facilities into a single campus and provide for the creation of 460 high wage, technical jobs. The average weekly wage for these jobs is estimated at \$1,601. The capital investment is projected to be \$58,400,000 for the multi phase construction over the first four years.

Mr. Vanderpool discussed the local contribution for the board. The City of Sterling Heights is supporting this project for BAE Systems and anticipates approval of a real and personal property tax abatement for twelve years under PA198 of 1974. This abatement has an estimated value of over \$4.5 million.

Stephen Haakenson provided additional information about the project for the board. It is estimated that this facility will generate a total of 1,019 jobs in the state by the year 2022. Total state government revenues through the year 2022 would be increased by \$49 million due to the presence of this facility.

BAE Systems is considering four locations for this expansion including BAE's current locations in Anniston, Alabama; York, Pennsylvania; and Santa Clara, California. The Sterling Heights location could meet its long-term requirements for office space and a product development facility and center. However, this option would require the acquisition of the site, as well as substantial renovation and construction costs. By comparison, it would not be necessary to construct the product development center at the York, Pennsylvania location. In York, the required office space would be obtained by renovating and expanding existing BAE facilities.

While the advantage of Sterling Heights is its relative location to the U.S. Army's Tank-Automotive and Armaments Command (TACOM) and Tank-Automotive Research, Development and Engineering Center (TARDEC) headquarters in Warren, Michigan, the projected cost differential between Sterling Heights and York is projected to be a total of \$40 million over five years.

The MEDC has also approved \$460,000 in EDJT funds for training new hires.

The company is a qualified high-technology business, whose primary business activity is Homeland Security and Defense Technology, as defined in the Act.

BAE Systems has requested a look back to April 14, 2008. Due to the nature of the positions and high demand for these types of engineers, BAE requested the ability to make job offers at the SAE International World Congress Event in Detroit. Participation in this event is critical to recruiting top candidates. Therefore, the MEDC recommends that the Board authorize a look back agreement, which will allow the company to count additional jobs created beginning April 14, 2008.

Recommendation

The MEDC recommends a 100 percent high-technology look back employment tax credit for fourteen years, for up to 460 net new employees. In order for the company to collect the credit in years 13 and 14, the company must create 450 net new jobs by the fifth year of the MEGA tax credit. Failure to meet the job creation thresholds will result in BAE Systems forfeiting the remaining two years respectively.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for BAE Systems Land and Armaments L.P., and recommends approval of a high-technology look back employment credit for 14 years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-29, authorizing a MEGA tax credit for BAE Systems Land and Armaments L.P., was adopted.

ACTION ITEM

*Von Weise, Inc.
402 East Haven Street
Eaton Rapids, Michigan 48827*

Tracy Freeman introduced Marc Ryder, Greg Johnston, and Jim Verville with Von Weise, Inc., the Honorable James Davidson, Mayor of the City of Eaton Rapids, along with Gary Wichman. Mr. Ryder described the company and project for the board. Von Weise, Inc., recently purchased by Sun Capital Partners, Inc. in December 2007 and formerly owned and operated by Techumseh Products, started operations in Michigan in the 1950s as a metal fabricator. During the late 1950s, the company began manufacturing recoil starters for use in the lawn and garden industry, and in 1970 expanded their product line to include electric starting motors. The company currently employs 212 employees at the three locations within Eaton Rapids.

The 402 East Haven Street site is the corporate headquarters for Von Weise, Inc. The company has two additional plant locations in Eaton Rapids, and also operates manufacturing facilities in Cambridge, Ontario; Nappanee, Indiana; and Juarez, Mexico.

Von Weise is considering the closure of company facilities located at Nappanee, Indiana and St. Clare, Missouri. With the closure of these facilities, the manufacturing and engineering equipment would need to be relocated. The Eaton Rapids campus has the needed capacity to accommodate the transferred equipment and future growth. Should the project relocate to Eaton Rapids, 159 new jobs will be created, paying an average weekly wage of \$529. Approximately \$4 million of equipment will be transferred and an additional \$3.3 million in new equipment will be purchased during the next five years.

Mayor Davidson discussed the local contribution for the board. The City of Eaton Rapids supports the Von Weise project and anticipates approval of a property tax abatement for 12 years under PA198 of 1974. The tax abatement was approved on April 21, 2008, and is anticipated to be valued at \$139,000.

Amy Deprez provided additional information about the project for the board. It is estimated that this facility will create a total of 364 jobs in the state by the year 2015. It is also estimated that the project would create total state government revenues of \$5.9 million through the year 2015 due to the creation of these new jobs.

Though the identified cost disparity is considerable, the company feels that from a coordination standpoint the advantage of having all of the engineering and corporate employees housed together in Eaton Rapids would be very beneficial. In addition, the Eaton Rapids staff has the experience and knowledge to oversee and train the personnel hired to operate the relocated equipment. Quality and shipment reliability is paramount to maintaining and expanding the business line with current and future customers. Alternatively, the company has excess capacity at their Juarez, Mexico facility and has stated that wages and business taxes would be much less in Mexico than Michigan.

The Michigan Strategic Fund Board supports this project and is expected to approve a Community Development Block Economic Development Job Creation Direct Grant of \$800,000 for machinery and equipment purchase.

Recommendation

The MEDC recommends a 100 percent employment tax credit for seven years, for up to 159 net new employees.

Board Discussion

Fay Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed project for Von Weise, Inc. and recommends approval of a standard employment credit for seven years.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-30, authorizing a MEGA tax credit for Von Weise, Inc., was adopted.

ACTION ITEM

*Grand Rapids Brownfield Redevelopment Authority
Third Coast Properties Redevelopment Project*

Jim Paquet introduced David Levitt with Third Coast Development Partners, LLC, Jay Rosloniec with Mika, Meyers, Beckett, and Jones, along with Imelda Martinez from the City of Grand Rapids Brownfield Redevelopment Authority. Mr. Levitt described the project for the board. The project will consist of the demolition of an existing building and the construction of a new building at 1697 Michigan Street, Grand Rapids, Kent County. The building will be a child development center,

consisting of a single story approximately 22,000 square foot building and an outdoor playground. It is expected that this project will employ 30 permanent full-time jobs, in addition to the temporary construction jobs. Of these 30 jobs, 15 will be transferred from outside the City of Grand Rapids, and 15 will be transferred from within the city limits.

The construction of the child center will allow the tenant, a division of Spectrum Health Center, to merge its current child development activities from two separate locations in the Grand Rapids metropolitan area. Due to the eligible property's proximity to the current child development center locations, the site provides a prime location for the childcare development center while facilitating re-use of the two other locations. Total capital investment is expected to be nearly \$4.6 million with eligible activities totaling \$207,277.

Jim Paquet provided additional information about the project for the board. The project is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit, and has been deemed functionally obsolete by a level III assessor. The property is the subject of a brownfield plan, duly approved by the City of Grand Rapids on April 1, 2008.

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

The annual salaries for the permanent full-time jobs are estimated to range from \$25,000 to \$50,000. The City of Grand Rapids' unadjusted unemployment rate was 8.7% in February 2008. This compares to the statewide seasonally adjusted average of 7.2% for the same period.

The developer is requesting tax increment financing from both state and local taxes. No other state or local incentives are directly or indirectly benefiting the project.

For the non-homestead real property, there are 45.0621 mills available for capture, with school millage equaling 24.0000 mills (53%) and local millage equaling 21.0621 (47%). The projected tax capture breakdown is as follows:

OVERALL

School tax capture (53%)	\$ 110,395
Local tax capture (47%)	\$ 96,882
TOTAL	\$ 207,277

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 55,000
Site Preparation	+ 117,415
Sub-Total	\$ 172,415
Contingency (15%)	25,862
Work/Brownfield Prep & Review	+ 9,000
TOTAL	\$ 207,277

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$207,277, as described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$110,395.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan request from the City of Grand Rapids Brownfield Redevelopment Authority for the Third Coast Properties Redevelopment Project and recommends approval of school tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-31, authorizing the capture of local and school operating taxes for the City of Grand Rapids Brownfield Redevelopment Authority for the Third Coast Properties Redevelopment Project, was adopted.

ACTION ITEM

Wayne County Brownfield Redevelopment Authority Pinnacle Race Course Project

Mark Morante introduced Mike McInerney with Post-It Stables, Richard Barr with Honigman Miller Schwartz and Cohn, LLP, and Turkia Mullin from Wayne County. Mr. McInerney described the project for the board. The project consists of the development of Pinnacle Race Course, which is designed to bring thoroughbred horse racing back to Michigan in the Pinnacle Aeropark area south of the Detroit Metropolitan Wayne County Airport. Initially, the developer, Post It Stables, Inc., anticipates developing approximately 240-acres of a 320-acre site owned by the Wayne County Land Bank Corporation. Pinnacle Race Course will feature two tracks, grandstands, picnic area, clubhouse, horse barns, and grooms' quarters.

Ms. Mullin discussed the local contribution for the board. In support of the project, Wayne County will be constructing approximately \$28,000,000 of Eligible Activities for public infrastructure improvements, including road, water, and sewer improvements. The remaining Eligible Activities will be undertaken by the developer, including demolition and site preparation, and are estimated to be \$8,205,000. Wayne County Economic Development Corporation will initially provide a lease for the race track property. In addition, the Wayne County Land Bank Corporation TURBO Program will be used. Huron Township has agreed to conditionally relinquish any rights to the breakage fee provided for under the Horse Racing Law of 1995, MCL 431.317(4).

Mark Morante provided additional information about the project for the board. The construction of Pinnacle Race Course is crucial to stimulate development of the roughly 1200-acre Pinnacle Aeropark site straddling the City of Romulus and Huron Township. The development of the race course, and the necessary public infrastructure improvements by Wayne County, would greatly enhance the economic vitality of the area by anchoring in-fill development near the Airport. The Eligible Property consists of the approximate 320 acres of real property to be located at 18000 Vining Road, as well as the public rights-of-way of Sibley Road from Vining Road to I-275, Pennsylvania Road from Vining Road to I-275, and Vining Road from Sibley Road to Pennsylvania Road, all in Huron Township.

The Project is proposed to be built in two phases, with Phase I starting in April 2008. Approximately \$21,000,000 in eligible investment will be incurred by the Developer in Phase I. Phase II is proposed to include the construction of additional grandstands, horse barns, grooms' quarters, and other facilities. Approximately \$51,000,000 in eligible investment would be incurred by the Developer in Phase II. Total capacity at the Race Course is anticipated to be approximately 8,000, with approximately 1,200 horse stalls to be located onsite. It is anticipated that Pinnacle Race Course will draw guests from the Metro Detroit Region, Toledo, and Canada, as well as the Midwest and Eastern U.S. For phases I & II, the project is a \$72,000,000 investment. It is anticipated that roughly 400 jobs will be tied directly to operating the race course.

Subject to market conditions, the remaining 80-acres on the 320-acre site will be developed in an additional phase and will consist of retail and/or commercial development. The Project (including Phase III) is anticipated to create up to 1200 direct and indirect jobs in connection with the operation and management of the Project and for ancillary businesses.

The project is located within the boundaries of Huron Township, Wayne County, and has been deemed a facility as verified by the DEQ. Huron Township is not a "qualified local governmental unit," but is eligible to provide for: a) demolition, b) site preparation, c) lead and asbestos removal, and d) infrastructure improvement activities for the project based on the property ownership by the Wayne County Land Bank Fast Track Authority as provided under MCL 125.2652(m)(iv). The property is the subject of a Brownfield plan, duly approved by the County of Wayne on April 15, 2008, and was concurred with by Huron Township on April 9, 2008.

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

The development of the vacant 320-acre site into an entertainment destination should anchor further economic expansion in the void surrounding the Detroit Metropolitan Wayne County Airport and serve as a catalyst to the Pinnacle Aeropark. The public will benefit through the creation of jobs, taxes, and other retail and commercial opportunities attracted to the area.

To operate and staff the Race Course, it is anticipated that 200 year-round jobs will be created in the following categories, including management (\$14 to \$48/hr) and supervisors (\$12-\$15/hr). A total of 1,000 year-round and seasonal jobs should be created when phase I and II are complete, including mutual clerks, maintenance, security, ushers, starters, jockey room valets, and food and beverage personnel (\$8 to \$12/hr). The job creation also includes ancillary business employees, including jockeys, trainers, groomers, veterinary services, stable hands, and retail. Wayne County's unadjusted unemployment rate was 8.5% in February 2008. This compares to the statewide seasonally adjusted average of 7.2% in February 2008.

Portions of the property contain soil impacted with VOCs in concentrations that exceed the Part 201 generic cleanup criteria, and other portions have suspected impacted sediment in multiple locations. An abandoned drum containing solvents was also found. The brownfield conditions will be addressed by removal and disposal of impacted soil.

The Developer anticipates borrowing between \$15,000,000 and \$20,000,000 from Comerica Bank to finance the Phase I improvements. They have already received a letter of interest from Comerica and are working on a commitment. Phase II will be financed through a combination of Developer equity and mortgage financing.

Although the Eligible Property is located within the Huron Township Local Development Financing Authority's ("LDFA") District, which is also a certified technology park known as the Pinnacle Aeropark SmartZone, it is the intention of the Township, the County, the Land Bank, and the Developer that, except with the consent of the Developer, the County, the Land Bank, and the Township, the LDFA shall not capture any tax increment revenues eligible to be captured by the Authority, except as set forth in a future amendment of the LDFA development and financing plan for the Pinnacle Aeropark SmartZone.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 100,000
Infrastructure Improvements	28,030,000
Site Preparation	<u>+ 8,075,000</u>
Sub-Total	\$36,205,000
Contingency (15%)	<u>+ 5,430,750</u>
TOTAL	\$41,635,750

For the non-homestead real property, there are 45.5925 mills available for capture, with school millage equaling 24.0000 mills (53%) and local millage equaling 21.5925 (47%). However, for the first five years, the Land Bank is receiving 50% of the specific tax levied on the real property under the Tax Reverted Clean Title Act. This effectively reduces the millage available for capture to 12.0000 mills for school millage (53%) and 10.7963 (47%) for local millage during the first five years.

Although the project seeks reimbursement for a maximum of \$41,635,750 for MEGA Eligible Activities, current tax capture projections indicate that only \$32,433,028 in-state (53%) and local (47%) tax increment revenue will be generated throughout the 30-year duration. It is anticipated that of the \$32,433,028 in anticipated capture, Wayne County will be reimbursed \$32,105,674 for public infrastructure costs and the developer \$327,354 for site preparation activities. However, tax capture projections could vary based on changes in the increment value. The recommended tax capture breaks down as follows:

<u>OVERALL</u>	
School tax capture (53%)	\$21,917,058
Local tax capture (47%)	<u>\$19,718,692</u>
TOTAL	\$41,635,750

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling a maximum of \$41,635,750, as described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at a maximum of \$21,917,058.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed Brownfield Work Plan request from the Wayne County Brownfield Redevelopment Authority for the Pinnacle Race Course Project and recommends approval of school tax capture.

Jackie Shinn asked if there were other thoroughbred racing facilities in Michigan. Mr. McInerney stated that there wasn't.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-32, authorizing the capture of local and school operating taxes for the Wayne County Brownfield Redevelopment Authority for the Pinnacle Race Course Project, was adopted.

ACTION ITEM

*Cadillac Funding Associates, LLC
1468 West 9th Street, Suite 135
Cleveland, Ohio 44113*

Peter Anastor introduced Nancy Amstadt from globalEXETER and Ross Halloran from the Ferchill Group. Ms. Amstadt discussed the amendment request for the board. The MEGA Board approved a Large Brownfield Redevelopment SBT credit for the Book-Cadillac Hotel on April 15, 2003. At that time, the project consisted of eligible investments up to \$142,500,000 for a credit not to exceed \$10,000,000. The project included the redevelopment of the historic Book-Cadillac Hotel to include at least 475 hotel rooms and 84 residential units.

However, to make the project economically and financially feasible, it was subsequently amended in December of 2005, resulting in the removal of the residential portion from the hotel portion. The residential portion was made into a separate brownfield SBT project, to include 67 market-rate residential condominium units on floors 24 through 32 of the Book-Cadillac. The residential portion is being developed by Cadillac Residences, LLC and was approved for a \$1,464,085 credit based on \$14,640,847 in eligible investment.

Peter Anastor provided additional information for the board. As part of the May 2005 amendment request, the required number of hotel rooms was reduced slightly from not less than 475, to not less than 455 hotel rooms. The project boundaries were also expanded to include the entire block bound by State Avenue, Shelby Street, Michigan Avenue and Washington Boulevard. In addition, an adjacent seven-story structure will be constructed by the City of Detroit and include parking and ancillary facilities. The maximum credit remained at \$10,000,000, despite the removal of the residential portion and total eligible investment estimated at \$143,000,000.

The developer has now requested that the hotel portion of the Book-Cadillac be amended to a two-part multiphase. The multiphase amendment is being requested to bring equity in the project to meet debt service payments. The hotel is anticipated to open in October 2008, with the residential condos finished by early to mid-year 2009.

Phase I will consist of an approximately \$85,800,000 in eligible investment, with an estimated credit of \$8,580,000 available. The first phase will include the first 10 stories of the Book-Cadillac Westin Hotel, including all common areas of the hotel. This phase will result in the interior build-out of approximately 180 hotel rooms. In addition, Phase I will include the entire exterior and internal structure of the building on floors 1 through 23.

Phase II will consist of an approximately \$57,200,000 in eligible investment for the interior build-out of the estimated 275 hotel rooms remaining on floors 11 through 23. It is anticipated that by the completion of the second phase there will be no less than 455 total hotel rooms. Phase II will also include the completion of an adjacent seven-story parking structure by the City of Detroit. The estimated credit available for Phase II is \$1,420,000.

The original five-year completion date for the project is May 12, 2008. Although the developer anticipates the project to be finished by early to mid-year 2009, an additional two (2) years is being requested to complete the project. Therefore, the project must now be completed by May 12, 2010.

The eligible investment to be undertaken by Cadillac Funding Associates, LLC includes:

<u>PHASE I</u>	
Restoration, Alteration, Renovation, and Improvements of Buildings	<u>\$ 85,800,000</u> \$ 8,580,000
<u>PHASE II</u>	
Restoration, Alteration, Renovation, and Improvements of Buildings	<u>\$ 57,200,000</u> \$ 1,420,000
<u>TOTAL ELIGIBLE INVESTMENT</u>	
Restoration, Alteration, Renovation, and Improvements of Buildings	<u>\$ 143,000,000</u> \$ 10,000,000

Recommendation

The Brownfield Redevelopment staff recommends approval of the amendment request to change the project to a multiphase project as noted above, with an addition of two (2) years completion time. Phase I would result in an eligible investment of \$85,800,000 for a Brownfield MBT Credit in the amount of \$8,580,000. Phase II would result in an eligible investment of \$57,200,000 for a Brownfield MBT Credit of \$1,420,000.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee has reviewed the proposed brownfield MBT redevelopment tax credit amendment request for Cadillac Funding Associates, LLC, and recommends approval.

Jackie Shinn asked when the Book-Cadillac closed. Mr. Halloran stated that the Book-Cadillac closed in 1988.

[Douglas Buckler was recused]

Hearing no further discussion, a motion was made and supported, and Resolution 2008-33 authorizing an amendment to Resolution 2005-97 authorizing a brownfield redevelopment tax credit for Cadillac Funding Associates, LLC, was adopted.

ACTION ITEM

*Morgan Development, LLC
15580 Telegraph Road
Detroit, Michigan 48239*

Peter Anastor introduced Nancy Amstadt from globalEXETER. Ms. Amstadt discussed the amendment request for the board. The MEGA Board approved a Large Brownfield Redevelopment SBT credit for Morgan Development, LLC in the amount of \$3,934,269 in September of 2005. The project consists of 44 acres located in southeast Detroit on the riverfront of the former Laro Coal industrial property. The developer originally proposed to construct 43 single-family homes and 92 attached low-rise condominium homes on the property on Freud Street, between Lycaste and St. Jean. Complementing the residential portion, maintenance, lawn care, snow removal, and security services will be offered, resulting in an anticipated 18 permanent jobs.

The developer is requesting that the project be amended to a four-part multiphase. Although the developer anticipates the entire project being complete by the original five (5) year completion date of September 27, 2010, an additional two (2) years is being requested to complete the project. Therefore, the project must now be completed by September 27, 2012.

The project remains nearly identical in scope to the original, although the number of attached low rise condominiums has been revised downward from 92 to 88. It is anticipated that Phase I will consist of an eligible investment in the amount of \$10,000,000 for the 15 single-family homes and 8 condominium units. The credit for the first phase shall not exceed \$1,000,000.

Phase II will consist of an estimated 4 single-family homes and 8 condominium units, with an eligible investment of approximately \$3,000,000. The credit for the second is approximated at \$300,000. The estimated investment for the second phase is smaller than the other three phases because a seawall on the Detroit River will be constructed at the same time.

Phase III will consist of approximately \$9,000,000 in eligible investment, with an estimated credit of \$900,000 available. The third phase will include the construction of 12 single-family homes.

The fourth and final phase (Phase IV) includes 12 single-family homes and 72 low-rise condominium units, with the remaining credit available estimated at \$1,734,269 based off of \$17,342,694 in eligible investment.

Peter Anastor provided additional information for the board. The eligible investment to be undertaken by Morgan Development, LLC includes:

<u>PHASE I</u>	
New Construction and Site Improvements	\$ 10,000,000
	\$ 1,000,000
<u>PHASE II</u>	
New Construction and Site Improvements	\$ 3,000,000
	\$ 300,000
<u>PHASE III</u>	
New Construction and Site Improvements	\$ 9,000,000
	\$ 900,000
<u>PHASE IV</u>	
New Construction and Site Improvements	\$ 17,342,694
	\$ 1,734,269
<u>TOTAL ELIGIBLE INVESTMENT</u>	
New Construction and Site Improvements	\$ 39,342,694
	\$ 3,934,269

Recommendation

The Brownfield Redevelopment staff recommends approval of the amendment request to change the project to a multiphase project as noted above, with an addition of two (2) years completion time. Phase I would result in an eligible investment of \$10,000,000 for a Brownfield MBT Credit in the amount of \$1,000,000. Phase II would result in eligible investment of \$3,000,000 for a Brownfield MBT Credit of \$300,000. Phase III would result in eligible investment of \$9,000,000 for a Brownfield MBT Credit of \$900,000. Phase IV would result in eligible investment of \$17,342,694 for a Brownfield MBT Credit of \$1,734,694.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee has reviewed the proposed brownfield MBT redevelopment tax credit amendment request for Morgan Development, LLC, and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-34, authorizing an amendment to Resolution 2005-74 authorizing a brownfield redevelopment tax credit for Morgan Development, LLC, was adopted.

ACTION ITEM

Walden Book Company, Inc.

Peter Anastor discussed the amendment request for the board. On December 31, 2007, Walden Book Company, Inc. transferred employees to Borders, Inc. to facilitate internal payroll processing efficiencies and to comply with Federal and State payroll administration, which is based on calendar year. In the original MEGA tax credit agreement dated June 19, 1995, Borders, Inc. was included as part of the company's overall base. In the original agreement, the base was set at 527 with the maximum Qualified New Jobs (QNJ) set at 550. For the first 12 years of the agreement, the company has collected a tax credit each year and maintained an average base of 645 and the QNJ has averaged 376.

Before the payroll transfer occurred, 305 employees were considered Walden's and 691 were considered Borders'. In order to maintain the original intent of the credit, yet assure that employees do not become part of the Qualified New Jobs that were already included in the base, we have outlined the following:

1. If the Company has an overall employment base (full-time jobs) equal to or greater than 832 full-time jobs, a base of 691 will be utilized.
2. If the Company's overall employment base (full-time jobs) falls below 832, a base of 527 will be utilized.

Recommendation

The MEDC recommends the transfer of the credit from Walden Book Company, Inc., EIN 06-0632389, to Borders, Inc., EIN 38-2104285 for the remaining three years of the 15-year credit as outlined in 1 and 2 above. This transfer would be effective January 1, 2008.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The MEGA Executive Committee reviewed the proposed amendment for Walden Book Company, Inc., and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2008-35, authorizing the amendment to Resolution 1997-02 for Walden Book Company, Inc., was adopted.

The meeting was adjourned at 11:45 p.m.

The next board meeting is scheduled to take place on May 20, 2008.