

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on May 17, 2005, at 10:05 a.m.

### Members Present

Bo Garcia  
David Hollister  
Donald Jakeway  
Andrew Lockwood (acting for and on behalf of Jay Rising, authorization attached)  
Sande MacLeod  
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Mark Adams, Oakland County  
Doug Alexander, EDA of St. Clair County  
Peter Anastor, MEDC  
Dawn Baetsen, Crowe Chizek & Company LLP  
Amy Banninga, MEDC  
Nick Banda, City of Southfield  
Kathy Blake, Sr. V.P., Business Development, MEDC  
Jill Bland, Southwest Michigan First  
Sherry Brockie, Blackman Charter Township  
Toni Brownfield, MEDC  
Greg Burcz, Crown Enterprises, Inc.  
Steve Czarnecki, Enterprise Group of Jackson  
Dennis DeCosta, Commonwealth Association  
Karl Dehn, Battle Creek Unlimited  
George Dimas, City of Warren  
Jim Donaldson, MEDC  
Michele Eaton, Oakland County Planning and Economic Development  
Tracy Freeman, MEDC  
Larry Gormezano, MEDC  
Chris Groestech, Compact Power, Inc.  
Cynthia Grubbs, MEDC  
Val Hoag, MEDC  
David Jeup, TransCorp Advisors, LLC  
Jeff Kaczmarek, MEDC  
Tack-Yong Kim, Michigan Korean Weekly  
Jerome Kiscorni, City of Kalamazoo  
Kathy Kleckner, MEDC  
Carol Knobloch Johns, MEDC  
Pat Lancaster, American Axle & Mfg.  
Susan McCormick, MEDC  
Art Miller, City of Warren

Dave Miller, Enterprise Group of Jackson  
Pauline Millichamp, MEDC  
Mark Morante, MEDC  
John Morgan, United Solar Ovonic  
Roger Nesti, Kennametal  
Jim Paquet, Secretary to the Board  
Bill Prochazka, Duncan Aviation  
Matthew Rick, Attorney General's Office  
Christine Roeder, MEDC  
Jeff Schroeder, City of Warren  
Mike Shore, MEDC  
Won-Hwan Song, Compact Power, Inc.  
Tom Tarleton, MEDC  
Vern Taylor, MEDC  
Dawn Uranis, American Axle & Mfg.  
Tom Welsman, Universal Am-Can  
Harry Whalen, MEDC  
Kathleen White, MEDC  
Thomas R. Winkel, Stryker  
Tony Wu, ALD

**Call to Order**

David Hollister called the meeting to order at 10:05 a.m.

**Approval of Minutes from April 19, 2005**

After review, a motion was made, supported and carried that board meeting minutes from the April 19, 2005 meeting, be adopted.

**Public Comment**

There was no public comment.

**ACTION ITEM**

*J & L America, Inc.  
31800 Industrial Road  
Livonia, Michigan 48150*

J & L America, Inc., provides metalworking consumables and related products to small and medium-sized manufacturers in the United States and the United Kingdom. The company is a leading manufacturer and distributor of cutting tools, tooling systems, wear-resistant parts and supplies, and technical services. J & L America, Kennametal, and affiliates combined, currently have 549 employees in Michigan.

Jim Donaldson introduced Roger Nesti from Kennametal, and Michele Eaton from Oakland County Planning and Economic Development. Nick Banda from the City of Southfield was also present. Mr. Nesti gave this presentation to the board. J & L America is currently headquartered in Livonia. In order to accommodate the continued growth in the company, J & L America needs to relocate to a larger building. In addition, the company would like to consolidate its technical call center operations from +Texas, North Carolina and California. To accommodate the growth and consolidation, the company would lease an existing 50,000 square foot building in Southfield. The project would lead to 100 new jobs in the first year of the project and a total of 300 jobs over five years. The new positions would start at an average weekly wage of \$831.

The project would require a new capital investment of \$11.8 million, including \$8.8 million for capitalized lease costs and leasehold improvements, and \$3 million for new machinery and equipment, office furniture and computers.

It is estimated that this facility will create a total of 454 jobs in the state by the year 2013. We also estimate that the project would create total state government revenues through the year 2013, of \$8 million due to the location of this facility in Michigan.

In addition to the site in Southfield, J & L America is also considering consolidating in Charlotte, North Carolina or in the Chicago area. The Charlotte site would save the company annual operating costs due to lower wages and lease costs in North Carolina.

The City of Southfield has proposed a three-year PA 328 personal property tax abatement. The estimated value of this support is \$99,300. The personal property tax abatement was approved on May 16, 2005.

### **Recommendation**

The Michigan Economic Development Corporation recommends an eight-year employment tax credit consisting of 50 percent for the first 50 new jobs and 100 percent for all new jobs thereafter, for up to 300 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.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-38, authorizing a standard MEGA tax credit for J & L America, Inc., was adopted.

### **ACTION ITEM**

*Duncan Aviation, Inc.  
15745 South Airport Road  
Battle Creek, Michigan 49015*

Duncan Aviation is the largest family-owned business aircraft support facility in North America. Jim Donaldson introduced Bill Prochazka from Duncan Aviation, who talked about the project. Duncan Aviation services all major business aircraft, providing aircraft and engine repair and maintenance, paint, interior and avionic modifications, inspections, and troubleshooting services. The company has 1,800 employees nationwide and 467 employees in Michigan at two facilities in Battle Creek and Kalamazoo.

Duncan Aviation needs to expand their service capacity due to increased market share and growth in the private airplane servicing industry. The company would add an additional 120,000 square feet to their current facility in Battle Creek. The addition would include hangar, shop and support space. The project would lead to the creation of 75 new jobs in the first year of the project and a total of 380 jobs over five years. The new positions would start at an average weekly wage of \$516.

The project would require a new capital investment of \$19.5 million, including \$18 million for the real property additions, \$500,000 for additional land and \$1 million for new machinery and equipment. Construction would begin this summer with the new building taking 18 months to complete.

It is estimated that this facility will create a total of 726 jobs in the state by the year 2012. We also estimate that the project would create total state government revenues through the year 2012, of \$9.7 million due to the location of this facility.

In addition to the site in Battle Creek, Duncan Aviation also considered their existing facility in Lincoln, Nebraska for this expansion. The Lincoln site would save the company substantial capital costs because they would not need to construct additional support and back office facilities. In addition, the State of Nebraska offers significant tax incentives that would virtually eliminate all corporate and sales taxes related to the project.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 350 new hires, up to \$175,000. In addition, an application for a Transportation Economic Development Fund (TEDF) Grant for road infrastructure improvements from the Michigan Department of Transportation (MDOT) will be supported. The approximate value of this grant is \$786,900.

Karl Dehn from Battle Creek Unlimited introduced himself and discussed community support for the project. On April 19<sup>th</sup>, the City of Battle Creek approved Battle Creek Tax Increment Finance Authority (BCTIFA) funding for the construction of 142,000 feet of new ramp/apron infrastructure to support the building expansion. The estimated value of this support is \$1,125,000.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for six years, for up to 380 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 2005-39, authorizing a standard MEGA tax credit for Duncan Aviation, Inc., was adopted.

### **ACTION ITEM**

*ALD Thermal Treatment, Inc.  
1101 Carolina Pines Drive  
Blythewood, South Carolina 29016*

ALD Thermal Treatment, Inc. is a vacuum heat treating service provider in North America. ALD's heat precision components such as automotive transmission gears, shafts, diesel engine fuel injector parts, precision bearings and tooling. Harry Whalen introduced Tony Wu from ALD, and Doug Alexander with Economic Development Alliance (EDA) of St. Clair County. Mr. Wu explained the company's plans to the board.

ALD Thermal Treatment will provide vacuum carburizing and high-pressure gas-quenching for GM's new 6-speed front-wheel drive transmissions. The company is considering leasing an existing 63,000 square foot building in Port Huron. The project would lead to the creation of 82 new jobs in the first full year of the project and a total of 95 new jobs over four years. The new positions would start at an average weekly wage of \$563. The company expects to finish improvements to the building by September, 2005, with operations beginning in the spring of 2006.

The project would require a new capital investment of \$20 million, including \$2.5 million for capitalized lease costs and leasehold improvements and \$17.5 million for new machinery and equipment.

It is estimated that this facility will create a total of 132 jobs in the state by the year 2013. We also estimate that the project would create total state government revenues through the year 2013, of \$2.4 million due to the location of this facility.

In addition to Port Huron, ALD Thermal Treatment also considered sites in Bowling Green, Ohio and Canada for this project. Electrical rates are 15% lower in Ohio, and Ohio is also willing to provide the company with property tax abatements for 15-years, a low-interest loan of \$2 million and job training for the new workers.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 95 new hires, up to \$47,500.

The City of Port Huron will purchase the building and lease it to ALD Thermal Treatment. The City has proposed a 100 percent PA 328 personal property tax abatement for two years, followed by a 50 percent PA 198 personal property tax abatement for 10 years. The estimated value of the local property tax abatement is \$1.6 million, including \$60,600 in State Education Tax abatements during the 2-year PA 328 abatement. The abatement is expected to be finalized on June 13, 2005.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 95 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 2005-40, authorizing a standard MEGA tax credit for ALD Thermal Treatment, Inc., was adopted.

### **ACTION ITEM**

*United Solar Ovonic, LLC  
3800 Lapeer Road  
Auburn Hills, Michigan 48326*

Jim Donaldson introduced John Morgan from United Solar Ovonic, and Mark Adams from Oakland County. Mr. Adams expressed community support for the project. Mr. Morgan explained that United Solar Ovonic, LLC is the world leader in thin-film photovoltaics (PV). PV systems provide a clean and simple solid-state method for direct conversion of sunlight into electrical energy. The company is currently owned by Energy Conversion Devices and United Solar Ovonic Corp., and currently has 178 employees in Auburn Hills and Troy.

United Solar needs to establish a new production facility for PV cells in order to meet future growth demands. The company is considering a stand-alone site in Auburn Hills or a site in Salem Township, Ohio for this new facility. If Auburn Hills is selected, the company would lease a newly constructed 160,000 square foot facility. The project would lead to the creation of 230 new jobs, paying an average starting weekly wage of \$560.

Total capital investment for the project would be approximately \$80.2 million, including \$12.2 million for capitalized lease costs and \$68 million for new machinery and equipment, office furniture and computers.

It is estimated that this facility will generate a total of 625 jobs in the state by the year 2026. Total state government revenues through the year 2026, net of MEGA costs and adjusted for inflation, would be increased by \$41.8 million due to the presence of this facility in Michigan.

United Solar is also considering a location in Salem Township, Ohio for the project. The State of Ohio has offered a substantial incentive package to the company, including jobs creation tax credits, research and development investment tax credits, machinery and equipment investment tax credits, real and personal property tax abatements, training, cash grants and low-interest loans from the state and port authority. In total, this package could provide up to \$25 million of incentives.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 200 new hires, up to \$100,000. In addition, the state will support the transfer of a \$1 million brownfield SBT credit to United Solar if they locate on a specific eligible parcel in Auburn Hills.

The City of Auburn Hills has proposed a 50 percent PA 198 real property tax abatement for one year. The estimated cost of this abatement is \$109,100.

In addition, the City of Auburn Hills will not exercise its right to opt-out of NextEnergy personal property tax exemptions on investments made in 2005 and 2006. The estimated value of this exemption support is \$6.9 million over the next eight years, including \$902,100 in State Education Tax exemption.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years and a 100 percent business activity credit for nine years, for up to 230 net new employees.

### **Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee agrees to the requested tax credits for United Solar Ovonic LLC.

After discussion, a typographical error in the resolution was corrected. Hearing no further discussion, a motion was made and supported, and Resolution 2005-41, authorizing standard MEGA tax credits for United Solar Ovonic LLC, was adopted with correction noted.

### **ACTION ITEM**

*Universal Am-Can, Ltd.  
11355 Stephens Road*

*Warren, Michigan 48098*

Jim Donaldson presented this project to the board. Universal Am-Can, Ltd. (UAC) is a wholly-owned subsidiary of Universal Truckload Services, Inc. (UTSI). UTSI employs approximately 550 people at its operations in five states, including 139 in Michigan.

UAC is a non-asset based provider of transportation services to shippers throughout the United States and Ontario and Quebec, Canada. UAC has experienced and anticipates continued growth of its transportation brokering operations, and consolidation of its current administrative operations. Tom Welsman from Universal Am-Can Ltd. described the project further.

UAC is proposing the consolidation of their administrative operations in Warren. The facility will be remediated to remove contaminants and renovated to accommodate the needs of UAC. As a corporate headquarters facility, the operations will include UAC's executive offices, accounting and finance, human resources and information systems.

The company expects to invest more than \$8.6 million initially with a total investment of more than \$16 million by the fifth year of operation. The proposed project is expected to create 594 new jobs over five years with an average weekly wage of \$571.

It is estimated that this facility will create a total of 848 jobs in the state through the year 2017. We also estimate that the project would maintain total state government revenues through the year 2017, of \$15.7 million due to the retention of this facility.

UAC is also considering locating in Tampa, Florida, where it has an existing support operation. In Tampa, UAC owns a building with excess capacity and also has room to expand its operations via an adjacent parcel of land. Tampa has significantly lower wages than Michigan. When the project is fully staffed, the differential would save the company up to \$1.6 million per year in wage and benefit costs.

Several community representatives were on hand from the City of Warren, including Art Miller, George Dimas, and Jeff Schroeder. Mr. Dimas expressed community support for this project. The City of Warren has proposed an Obsolete Property Rehabilitation abatement of the company's real property for 12 years at their June 14, 2005 City Council meeting. This tax abatement has an estimated value of \$2 million, based on investment of approximately \$8 million.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 594 new employees.

### **Board Discussion**



This request was reviewed by the Executive Committee. On behalf of the committee, Bo Garcia has recommended approval of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-42, authorizing a standard MEGA credit for Univeral Am-Can, Ltd., was adopted.

### **ACTION ITEM**

*American Axle & Manufacturing  
One Dauch Drive  
Detroit, Michigan 48211-1198*

The largest independent supplier of driveline components for light trucks and sport utility vehicles manufactured in North America. AAM currently manufactures driveline products for several vehicle programs including GM's full-size, light truck and sport-utility vehicles at it's Detroit and Three Rivers manufacturing facilities.

Jim Donaldson introduced Pat Lancaster with American Axle & Manufacturing. Mr. Lancaster explained that if this product is launched in Michigan, AAM anticipates investment of nearly \$73 million in Detroit, and \$7 million in Three Rivers, resulting in the retention of 458 Detroit associates and 192 Three Rivers associates, with an average weekly wage of \$931.

It is estimated that this facility will retain a total of 1,568 jobs in the state through the year 2013. We also estimate that the project would maintain total state government revenues through the year 2013, of \$51.2 million due to the retention of this facility.

AAM is considering producing product in Guanajuato, Mexico, where wage rates in are significantly lower. When this project is fully staffed, lower wage and benefit costs in Mexico could save the company up to \$25.7 million per year.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 458 retained workers, or up to \$458,000.

On March 31, AAM applied for a 50 percent abatement of the company's new personal property taxes for 12 years from the City of Detroit. We anticipate the council taking action on this abatement this summer. This tax abatement has an estimated value of \$8.3 million, based on investment of approximately \$73 million.

Three Rivers will support a 50 percent, 12-year tax abatement of the company's new personal property taxes. We anticipate the council taking action at their June 21, 2005 meeting. This abatement has an estimated value of \$364,000, based on investment of approximately \$7 million.

## **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for eight years, for up to 650 retained employees.

## **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommends approval of the request for retention credit.

Discussion was heard with regard to the retention of jobs by this company, in both the Detroit and Three Rivers facilities, in order to qualify for this tax credit. There was also discussion that the company would surrender of its previously awarded credit as a condition of this one.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-43, authorizing a standard MEGA retention credit for American Axle & Manufacturing, was adopted.

## **ACTION ITEM**

*Compact Power, Inc.  
1200 South Synthes Avenue  
Monument, Colorado 80132*

Compact Power, Inc. develops battery packs for electric, hybrid electric and fuel cell vehicles and for other commercial and military-aerospace applications. Compact Power is currently headquartered in Colorado, and has one employee in Southfield, Michigan. Won-Hwan (Howard) Song was introduced to the board. Mr. Song presented his company's request to the board.

Compact Power is considering an expansion of its research and development capabilities in North America on lithium-ion polymer battery pack systems and lithium-ion cell technology. The project would include research, followed by the development of an efficient, profitable and sustainable manufacturing process. Sites considered for this project are Monument, Colorado, home to its current research facilities, and Troy, Michigan. If Troy is selected, the company would initially lease 12,000 square feet in an existing facility.

The project would lead to the creation of 33 new jobs in the first year of the project and 168 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,289. Total capital investment for the project would be approximately \$18.1 million, including \$3.4 million for capitalized lease costs and leasehold improvements and \$14.7 million for new machinery and equipment, office furniture and computers.

It is estimated that this facility will generate a total of 298 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$7.9 million due to the presence of this facility.

A project cost comparison between Michigan and Colorado showed lower wages and lease rates in Colorado compared to Michigan. In addition, the company estimates that in the initial years of the project, they will spend approximately \$50,000 per year on transportation costs between Colorado and Michigan.

Mark Adams, representing the City of Troy, was on hand to express local support for the project in the form of the resurfacing of Technology Drive. This work is expected to cost an estimated \$50,000. In addition, the City of Troy will not exercise its right to opt-out of any NextEnergy personal property tax exemptions for investments in the project during 2005, 2006 and 2007. The estimated value of the exemption is \$820,500 over the next eight years, including \$105,000 in State Education Tax exemption.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 168 net new employees.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. On behalf of the Executive Committee, Mr. Garcia recommended support of the requested MEGA tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2005-44, authorizing a high-tech MEGA tax credit for Compact Power, Inc., was adopted.

### **ACTION ITEM**

*Commonwealth Associates, Inc.  
2700 West Argyle Street  
Jackson, Michigan 49404*

Jim Donaldson introduced Dennis DeCosta from Commonwealth Associates, Inc. Mr. DeCosta described the project for the board. Commonwealth Associates, Inc. is an employee-owned engineering firm that designs energy generation systems and energy system integration products that allow the connection of new or alternative energy systems to the existing energy grid. Commonwealth is headquartered in Jackson, Michigan, where it has 98 employees. The company is considering adding space at its Jackson office or opening a new regional office in the Atlanta. An expansion in Jackson would lead to the addition of 12,000 square feet to its existing facility. The project would lead to 10 new jobs in the first year and 50 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,000.

Total capital investment for the project would be approximately \$2.8 million, including \$2.6 million for building and site development costs and \$171,000 for new office furniture and computers.

It is estimated that this facility will generate a total of 127 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$3.3 million due to the presence of this facility.

A location in Georgia would allow Commonwealth better access to its customers in the southeast. The company has been offered jobs creation tax credits, as well as free rent for a year for a site in the Atlanta area. The company will also be able to utilize a Georgia workforce program that places military personnel in civilian jobs at set placement rates. This program provides a significant number of technically trained workers who are transitioning out of the military to companies in Georgia. These placements could save Commonwealth \$350,000 annually when the project is fully staffed.

Blackman Charter Township approved a 50 percent PA 198 property tax abatement for 12 years on all new real and personal property on May 3, 2005. The estimated value of the local property tax abatement is \$223,700. Sherry Brockie from Blackman Charter Township was on hand to express local support for this project. Dave Miller and Steve Czarnecki, with Enterprise Group of Jackson, were also present and echoed Ms. Brockie's offered community support.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 50 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 2005-45, authorizing a high-tech MEGA tax credit for Commonwealth Associates, Inc., was adopted.

### **ACTION ITEM**

Stryker Corporation  
2725 Fairfield Road  
Kalamazoo, Michigan 49002

Stryker provides products for joint replacements, trauma, spine and micro implant systems, orthobiologics, powered surgical instruments, surgical navigation systems and

endoscopic products, as well as patient handling and emergency medical equipment. The company also provides outpatient physical therapy services. The company is headquartered in Kalamazoo, where it has over 1,400 employees.

Jim Donaldson introduced Thomas Winkel from Stryker Corporation. Mr. Winkel presented the project to the board. He explained that Stryker has outgrown its current headquarters building in Kalamazoo and is considering building a new building in Kalamazoo or relocation to Mahwah, New Jersey. If the company stays in Michigan, it would construct a 75,000 square foot building on land next to the current leased facility. The project would lead to the relocation of 84 existing employees, the addition of 23 new jobs in the first year, and up to 63 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,153.

Total capital investment for the project would be approximately \$20.4 million, including \$15.4 million for land and building costs and \$5 million for new office furniture and computers.

It is estimated that this facility will generate a total of 165 jobs in the state by the year 2025. Total state government revenues through the year 2025, would be increased by \$15.7 million due to the presence of this facility.

Stryker is also considering a site in Mahwah, New Jersey, where it has an Orthopedics Division and training center. Stryker has determined that locating in Kalamazoo will increase recruitment and travel costs compared to New Jersey.

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 \$576,900. In addition, an application for a Transportation Economic Development Fund (TEDF) grant for road infrastructure improvements from the Michigan Department of Transportation (MDOT) will be supported. The approximate value of this funding request is \$350,000. Jackie Shinn commented that MDOT is looking forward to working with Stryker on the improvements to Sprinkle Road, to facilitate this project.

The City of Kalamazoo has proposed a 100 percent PA 328 personal property tax abatement for five years, and a 50 percent PA 198 real property tax abatement for 12 years. The estimated value of the PA 328 abatement is \$471,600 and the estimated value of the PA 198 abatement is \$2.9 million. Jerome Kiscorni from the City of Kalamazoo reported that abatements were approved during last evening's City Council meeting.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 20 years, for up to 100 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 2005-46, authorizing a high-tech MEGA tax credit for Stryker Corporation, was adopted.

## **ACTION ITEM**

Lombardo Heritage, LLC  
Condominium/Townhouse Development  
Detroit, Michigan

Vern Taylor described the company's request for an amendment. The Lombardo Heritage project received MEGA Board approval for a \$1,768,069 Brownfield SBT Credit on December 18, 2001. The original project was to construct 126 new condominium/townhouses on a 10.6 acre site. The developer did not seek tax increment financing (TIF) to reimburse the cost of site preparation and other costs associated with redeveloping the site. The actual costs for these activities have exceeded estimates by a substantial amount. The higher than anticipated costs, combined with slower than anticipated market absorption, have made it a challenge to finance the project in only one phase. The developer is seeking to amend the project to make it a two-phased project. The first phase is a 5.6 acre parcel on which 68 new condominium/ townhouse units will be constructed. The units will be moderately priced at approximately \$175,000. Phase II will consist of 58 condominium/townhouse units on an approximately five-acre parcel.

The area has among the lowest household income and highest unemployment in the city. Besides the construction jobs that will be created by this development, the new housing, particularly housing aimed at moderate income families, is needed. The project is anticipated to generate an additional \$300,000 in revenue for the city.

### Cost Breakdown

Eligible Investment:

Site Improvements	\$ 1,706,376
New Construction	<u>+ 8,296,000</u>
Total Eligible Investment	\$10,002,376

The developer has applied for a Neighborhood Enterprise Zone (NEZ) designation for the project. A NEZ significantly reduces the property taxes paid by the individual owners of the condominiums.

The property is blighted and located within the boundaries of a qualified local governmental unit. The project is the subject of a brownfield plan duly approved by the Detroit City Council.

### **Recommendation**

The MEDC recommends approval of the request to amend the Brownfield SBT Redevelopment Credit from a maximum of \$1,768,069 to a maximum credit of \$1,002,376 for Phase I of the project.

### **Board Discussion**

Bo Garcia reported that the Executive Committee discussed the request for amendment and recommends support.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-47, authorizing an amendment to the May 7, 2002, resolution for Lombardo Heritage, L.L.C., was adopted.

### **ACTION ITEM**

*City of Detroit Brownfield Redevelopment Authority  
660 Woodward Avenue, Suite 1590  
Detroit, Michigan 48226*

Vern Taylor presented the request for work plan approval for the Mexicantown International Welcome Center and Mercado project. The project consists of the construction of two buildings, a public plaza, parking lots, and public infrastructure on Bagley Avenue, 20<sup>th</sup> Street, and 21<sup>st</sup> Street.

The Mercado building, 13,610 square feet, will be a small business incubator for the Mexicantown area. It will resemble a traditional Central American Mercado with retail storefronts, kiosk and carts that spill out into the public plaza. It is estimated that 80 new businesses will be created over the next 10 years. The retail building and State of Michigan Welcome Center will house a variety of retail uses and promote State of Michigan attractions and events. This location is 500 feet from the American-Canadian border of the Ambassador Bridge. It is expected that 800,000 persons will visit the Welcome Center each year. The plaza will be maintained for public use, and will host performances and events. It is anticipated to become the heart of the Mexicantown community by becoming a natural gathering place adjacent to both commerce and culture.

The plaza will create a public forum for the southwest Detroit area and will mirror the markets of Central America, and accentuate the area's rich cultural ties. This project

will create a welcome destination for not only the inhabitants of southwest Detroit, but also for national and international visitors.

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

The project will create 63 full-time retail and office jobs in the Retail Building/ Welcome Center. Some of the jobs will be available to low and moderate-income persons.

The project site is comprised of vacant land. Sixteen of the total 31 parcels were City-owned and tax reverted at the time the Brownfield plan was approved.

The developer has procured a Section 108 loan from the City of Detroit for \$7,788,240, New Markets Tax credits in the amount of \$2,600,000 from Wayne County, and has completed a capital campaign for \$3,500,000. The City of Detroit has also accepted a public use easement for the project to enable MEGA tax capture for the infrastructure.

The project is using local tax increment financing (TIF) for the project. The Michigan Department of Transportation has given an ISTEPA grant of \$247,876, and the Michigan Department of Environmental Quality has given a grant of \$1 million. Wayne County has also given the project a grant of \$5,000, and the City of Detroit has pledged CDBG funds of \$273,000. The City of Detroit has also accepted a public use easement for the project to enable MEGA tax capture for the infrastructure.

### PROJECT COSTS

Site Preparation	\$ 83,312
Infrastructure	1,067,714
Contingency Costs	+ 172,654
Total	\$ 1,323,680

The property has been deemed blighted and is a facility, located within the boundaries of the City of Detroit, a qualified local governmental unit. The project is the subject of a brownfield plan approved by the Detroit Brownfield Authority and the Detroit City Council.

### TAX CAPTURE BREAKDOWN

There are 64.5780 mills available for capture, with school millage equaling 24 mills (37%) and local and county millage equaling 40.5780 mills (63%). The recommended tax capture breaks down as follows:

\$489,762	State School Property Tax (37%)
+ 833,918	Local Property Taxes (63%)
\$1,323,680	



### **Recommendation**

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$489,762 based on eligible activities totaling \$1,323,680 as described above.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee recommended support of this work plan and tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-48, authorizing the capture of school operating taxes for the City of Detroit's Mexicantown International Welcome Center and Mercado project, was adopted. The meeting was adjourned at 10:50 a.m.

The next regularly scheduled meeting of the MEGA board is scheduled for Tuesday, June 21, 2005.

