

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on June 12, 2002 at 10:00 a.m.

Members Present

Sarah Deson-Fried

Leon Hanks (acting for and on behalf of Duane Berger, authorization attached)

Phil Kazmierski (acting for and on behalf of Gregory Rosine, authorization attached)

Doug Roberts

Doug Rothwell

Tim Ward

Members Absent

Beth Chappell

Craig DeNooyer

Others Present

Peter Anastor, MEGA, MEDC

John W. Anhut, Chairman, Farmington Hills Economic Development Council

John Calandro, Director of Administration, Nissan Technical Center

Steve Carter, Price Waterhouse

Gary Chartrand, Lear Corporation Mendon

John Czarnecki, MEDC

Linda Dankoff, MEGA, MEDC

Jim Donaldson, MEDC

Kirk Fisher, Lear Corporation

Howard E. Gray, Secretary, Farmington Hills Economic Development Council

Ed Grigg, Corporate Controller, Nissan Technical Center

Mr. Hansen, Vice President, Federal Reserve Bank

Chuck Holmes, Farmington Hills Economic Development Council

Brian Holdwick, City of Detroit Brownfield Redevelopment Authority

Carol Knobloch Johns, MEDC

Dianne Kokkino, V.P. Operations, Collins & Aikman Products Co.

Paul Krepps, MEDC

Penny Launstein, MEDC

Ronnie L. Lewis, Vice President, Plastech

Stewart Mandell, Dykema Gossett PLLC

Peggy McNichol, Ernst & Young, LLP

Mark Morante, Vice President, Bus. Finance & Adv., MEDC

Jeff Noel, President, Cornerstone Alliance

Jim Paquet, Secretary to MEGA Board

Mike Pohnl, MEDC

Christine Roeder, MEDC

Tim Robinson, Vice President, Washtenaw Development Council

Tom Schimpf, Attorney General's office
Keith Stein, Tax Manager, Lear Corporation
Steve Strauss, V.P. Finance, Creative Solutions
Vern Taylor, Brownfield, MEDC
Duane Thelen, Brownfield, MEDC
Randy Thelen, MEDC
Jim Vandenberghe, Lear Corporation
Harry Whalen, V.P. Global Business Dev., MEDC

Call to Order

Doug Rothwell called the meeting to order at 10:08 a.m.

Approval of Minutes from May 7, 2002

It was moved, supported and carried that the minutes from the May 7, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Lear Corporation Mendon
Post Office Box 5008
Southfield, Michigan 48086*

Jim Donaldson began the presentation by introducing Jim Vandenberghe, Vice Chairman of Lear Corporation. Mr. Vandenberghe discussed the company's decision to expand one of its U.S. facilities. Lear Corporation is the fifth largest automotive supplier in the world, with over 100,000 employees in more than 300 facilities worldwide. In Michigan, the company operates roughly 30 facilities employing nearly 10,000 people. Lear Corporation Mendon designs, engineers and manufactures automotive systems, notably overhead lighting systems, climate control/backlit products and armrest components. Lear Corporation Mendon is a wholly owned subsidiary of Lear Corporation. This facility employs 681 workers.

Due to winning several new contracts to produce overhead systems, Lear Corporation needs to expand one of its two facilities in the United States that design and manufacture these components. The expansion will occur in either Bourbon, Indiana or at the Mendon, Michigan facility.

If the expansion occurs in Mendon, it requires an investment of \$90,000 to renovate the facility and \$4.1 million in machinery and equipment, for a total capital investment of \$4.2 million. Average weekly wages at the facility will be \$526, with a benefit package

totaling nearly 30% of wages. Building renovations would begin this year and staffing would increase by 190 people over the next four years.

It is estimated that this facility will generate a total of 438 jobs in the state by the year 2012. Total state government revenues through the year 2012 would be increased by \$12 million due to the presence of this facility.

Indiana has aggressively offered incentives for the project, including credits for new jobs created. Additionally, the company would realize substantial savings in both wages and taxes with an Indiana location. An estimated cost disparity of roughly \$1,000,000 exists between the two facilities.

The Mendon facility has been in operation since 1932 and has an excellent workforce. The workers have agreed to wage concessions in an effort to attract this new work to their plant and managers at the plant have taken a reduction in their 401k plans to support this effort. Without a MEGA tax credit, however, the company will not be able to justify the remaining cost disparity between the Michigan and Indiana operations.

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$38,761. In addition, the MEDC will provide an Economic Development Job Training grant of \$300 for each of 190 new employees, for a total of \$57,000.

On May 13th, the Village of Mendon approved a 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of this local abatement is \$267,364.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for ten years and a business activity credit of 100 percent for ten years for up to 190 net new jobs.

Board Discussion

Tim Ward gave the report of the Executive Committee. The Executive Committee recommends awarding the requested MEGA tax credit. He commended the company and the union which took actions to reduce the company's costs before approaching the MEDC and the MEGA board.

Hearing no other discussion, a motion was made and supported, and Resolution 2002-15 awarding MEGA Tax Credits to Lear Corporation Mendon was adopted.

ACTION ITEM

*Nissan Technical Center North America, Inc.
39001 Sunrise Drive
Farmington Hills, Michigan 48333-9200*

Jim Donaldson began with a brief description of the project and introduced John Calandro, Director of Administration at Nissan Technical Center, who described the proposed expansion in Farmington Hills that would create up to 386 highly skilled jobs. Nissan Technical Center North America, Inc. (NTCNA) is the North American automotive engineering, development, research and testing arm of Nissan Motor Company, Ltd.

Jim Donaldson continued the presentation. The proposed project at the Farmington Hills technical center would allow Nissan to expand its engineering, research, development and testing capabilities within North America. The project will focus on high-value research, engineering and design services and computer simulation capabilities. NTCNA is also seeking to become the worldwide center for crash simulation activities and other computer simulation needs for all of Nissan.

Capital expenditures are estimated at \$38.4 million, including \$3.3 million for land, \$25.8 million for building additions and improvements and \$9.3 million in machinery and equipment. The company estimates creating 386 net new jobs at the expanded facility, paying an average annual wage of \$60,000. Construction of the expansion would begin in June 2002 and be complete in November 2003. Operations would begin immediately upon completion.

It is estimated that this facility will generate a total of 866 jobs in the state by the year 2019. Total state government revenues through the year 2019 would be increased by \$52 million due to the presence of this facility.

The other location being considered for this expansion is at the Nissan worldwide technical headquarters in Atsugi, Japan. Nissan recently purchased a former university campus just ten miles from the headquarters for expansion purposes. Nissan Technical Center North America investigated the costs of expanding in both locations and discovered that, in addition to the added costs of land and building acquisition associated with putting the expansion in Michigan, an annual wage differential of approximately ten percent exists.

In order for the Farmington Hills technical center to win this project, some of this cost gap must be closed through provision of an aggressive incentive package.

Due to the type and level of investments being proposed, the company may be eligible for an investment tax credit of up to \$246,000.

On May 20th, the City of Farmington Hills approved a 50 percent abatement of the taxes on new personal property and qualified renovations to the facility for a period of six years. The estimated value of the local abatements is \$2,000,000.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 17 years for up to 386 net new employees. In addition, due to the need for the company to begin hiring key engineering staff as soon as possible, the 120-day look back provision of the legislation will be invoked.

Board Discussion

Tim Ward gave the Executive Committee report. He noted the substantial support that Farmington Hills was providing to the project and conveyed the Executive Committee's recommendation of approval of the requested MEGA tax credits.

Hearing no further discussion it was moved and supported and Resolution 2002-16 approving a MEGA tax credit for Nissan Technical Center North America, Inc, was adopted.

ACTION ITEM

*Plastech Romulus
22000 Garrison
Dearborn, Michigan 48124*

Harry Whalen presented the Plastech project, which had been approved by the Board at the March board meeting. The company was unable to execute a tax credit agreement in a timely manner due to problems securing adequate electrical power at the location chosen by the company. A new location has been found within the same community. Mr. Whalen asked Penny Launstein to introduce Ronnie Lewis, Vice President of Plastech, who explained the need to return to the Board with the tax credit request. He reported that the City of Romulus had adopted an eight year tax abatement for the project. He commented that the deregulation of utilities in Michigan was causing a problem for businesses seeking to expand because of the unwillingness of the utilities to make investments in the infrastructure needed to support those expansions. He thanked the MEDC for its help in facilitating a new site search.

Doug Rothwell commented that utilities were more reluctant now to make the investments needed to connect new sites to the power grid because they are no longer guaranteed a customer.

Mr Whalen continued the presentation. Plastech Romulus is a second tier subsidiary of Plastech Engineered Products. Plastech Engineered Products was started in 1997 and

has gross revenues of approximately \$340 million and 2,700 employees, approximately 1,100 of which are in Michigan.

To meet increased demand, the company must construct a 300,000 square foot facility for the manufacture of injection molded and blow molded automotive parts. The facility would employ up to 400 new workers by the end of 2005, at average weekly wages of \$480. In addition, workers would receive benefits that average 15 percent of wages. The company would invest \$46.2 million, including \$22 million for the building and \$24.2 million for machinery and equipment.

The company plans to lease an existing facility and expand it to accommodate its needs. Construction on the facility would begin in July 2002 and be completed in October 2002. Production at the facility would begin in December with 250 workers. By the end of 2003 the company anticipates employing 340 workers.

It is estimated that this facility will generate a total of 555 jobs in the state by the year 2011. Total state government revenues through the year 2011 would be increased by \$15.3 million due to the presence of this facility.

Plastech compared the costs of locating in Romulus and Winnsboro, South Carolina where it has another facility. The cost gap between Michigan and South Carolina is due to higher wages and electricity costs incurred if the facility is located in Michigan. The company estimates the increase in its operating at roughly \$1 million per year.

The company would prefer a Michigan location due to its excellent workforce and because it considers Michigan to be the company's "home". The company needs an incentive package from Michigan to offset higher costs and help make the business case for putting the project here.

The State of Michigan will provide the company with an abatement of the six-mill State Education Tax for a length of time to match the community's property tax abatement. The value of this abatement is estimated at \$896,831.

On June 11th, the City of Romulus approved an abatement of 50 percent of both real and personal property taxes for eight years. The estimated value of this local abatement is \$3,804,627.

Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for ten years for up to 400 net new jobs.

Board Discussion

Tim Ward gave the Executive Committee report. He indicated the Executive Committee's recommendation for approval of the requested MEGA tax credit.

Hearing no further discussion it was moved and supported and Resolution 2002-17 approving a MEGA tax credit for Plastech Romulus was adopted.

ACTION ITEM

*Textron Automotive Interiors, Inc.
2100 Dove Street
Port Huron, Michigan 48060*

Jim Donaldson introduced Ms. Dianne Kokkinos, Vice President of Collins & Aikman, who explained the recent buyout of Textron Automotive Interiors by Collins & Aikman and briefly described the project. Collins & Aikman purchased Textron Automotive Company's Trim division in December 2001. The purchase included Textron's Port Huron facility, which manufactures plastic interior trim components for the automotive market. Current products include door panels, rear bolsters and cab back panels for Chrysler cars and trucks. Collins & Aikman is a leading supplier of instrument panels, automotive fabric, plastic-based trim, and convertible top systems. Currently, Collins & Aikman has 4,942 employees in Michigan at over 20 facilities.

Jim Donaldson continued the presentation. The project will provide the facility and equipment required to manufacture door panels for General Motors and DaimlerChrysler. The company proposes to lease an additional 30,000 square foot building that will be newly constructed. Total capital investment for the project would be approximately \$24.5 million, including \$7.2 million for capitalized lease costs and leasehold improvements and \$17.3 million for new machinery and equipment. Building construction would begin in late June with completion expected in October 2002. The bulk of the machinery and equipment will be added in 2003. Full operations of the facility are expected in July 2004.

The expansion is expected to generate an additional 187 new jobs that will pay an average weekly wage of \$562. It is estimated that the project will generate a total of 417 jobs in the state by the year 2015. Total state government revenues through the year 2015 would be increased by \$19.8 million due to the presence of this facility.

The alternative location being proposed is in Ontario, Canada where Collins & Aikman has a number of facilities. The company estimates that labor costs will be nearly \$500,000 per year higher and electrical costs will be 20% higher in Port Huron compared to Ontario.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$300 for each of 187 new employees and 300 existing employees, totaling up to \$146,100. The company will also be eligible for an investment tax credit worth up to \$60,400. In addition, the State of Michigan will provide a 50

percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. The abatement is estimated to be worth \$297,200.

The City of Port Huron has approved a tax abatement of 50 percent of the company's new real and personal property taxes for twelve years. The estimated value of the local abatement is \$2,440,100.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for twelve years, for up to 187 net new employees.

Board Discussion

Tim Ward reported the Executive Committee's recommendation that the MEGA Board approve the requested employment tax credit.

Phil Kazmierski asked about the components of the additional transportation costs of locating in Michigan. Dianne Kokkinos responded that the cost differential was for shipment of component parts to Michigan from Canadian manufacturing facilities and the return of empty shipping containers to Canada.

Hearing no further discussion it was moved and supported and Resolution 2002-18 was adopted, approving a MEGA employment tax credit for Textron Automotive Interiors, Inc.

ACTION ITEM

*Thomson Professional & Regulatory, Inc.
c/o Creative Solutions
2395 Midway Road, Building One
Dexter, Michigan 48130-1557*

Harry Whalen asked Penny Launstein to introduce Steve Strauss, Vice President of Finance for Creative Solutions. Thomson Professional & Regulatory, Inc. is applying for the credit on behalf of its division, Creative Solutions. Mr. Strauss outlined the company's growth from 175 employees in Michigan to more than 600 over the past six years and discussed its desire to continue to grow and expand services in Michigan. He indicated that the company has run out of space at its current location and is under pressure from its parent to expand in Carrollton, Texas.

Mr. Whalen continued the presentation. Thomson Professional & Regulatory is the largest business unit of the Thomson Corporation, a global e-information and solutions company serving the business and professional marketplace. Creative Solutions

provides software to the accounting profession. All 629 Michigan employees of Thomson Professional are located at Creative Solutions in Dexter.

Thomson Professional needs to expand its Creative Solutions operations to meet customer demand. The company proposes to increase employment at its current facility in Scio Township and invest \$3.6 million in new machinery and equipment. While initial expansion can take place at the current facility, future plans are to move into a new building in the Township that could require a capitalized building lease of up to \$12 million over an eight-year period and leasehold improvements of \$542,000.

Construction of the new facility would commence in June 2002 and be complete by January 31, 2004. Lease of the new facility would begin on March 1, 2004.

The company anticipates hiring up to 174 new employees within five years at an average weekly wage of \$722 and with a benefit package estimated at 15 percent of wages. It is estimated that this facility will generate a total of 482 jobs in the state by the year 2011. Total state government revenues through the year 2011, would be increased by \$11.8 million due to the presence of this facility.

Thomson has an affiliated company engaged in a similar line of business in Carrollton, Texas. The Carrollton facility has sufficient capacity to allow Thomson to locate its Creative Solutions operations there. The company's business practices do not require the expansion to be near the current Michigan site because all sales, ordering, and customer support services are provided by telephone. The staff can be located anywhere.

An analysis of costs to the company in Michigan versus Texas indicates that wage rates are roughly six percent lower in Texas. Additionally, expansion in Texas would not require the company to build a new facility. A MEGA tax credit is needed to offset the increased costs of doing business in Michigan in order to influence the corporate decision making process.

Due to the type and level of investments being proposed, the company may be eligible for an investment tax credit of up to \$107,854. The State of Michigan would provide a State Education Tax abatement of six mills to match the length of time of the local property tax abatement. The value of this abatement is estimated at \$319,186.

On May 21, 2002, Scio Township voted favorably on a 50 percent abatement of the company's new real and personal property taxes, both for a period of seven years. The estimated value of both of these local abatements is \$1,158,984.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 12 years for up to 300 net new employees.

Board Discussion

Tim Ward gave the Executive Committee report. He indicated that the committee recognized that the project could easily locate in Texas and was recommending the tax credit to the MEGA Board.

Sarah Deson-Fried asked why the resolution stated that the employment credit for the company would begin no later than December 31, 2003, while construction is not expected to be completed until 2004. Doug Rothwell commented that it has been the Board's practice not to award credits until projects were completed.

Jim Paquet explained the resolution had been drafted with the understanding that the credit was based on the expansion that would occur at the existing facility. Linda Dankoff added that the company wanted to take the credit as soon as possible so the investment in equipment and the addition of new employees at the current facility were used as the basis for the credit.

Doug Rothwell asked whether a change in the wording of the resolution should be made.

Jim Paquet indicated that he would revise the project description in the resolution to clarify that the credit was based on the investment and job creation at the existing facility, with the understanding that if the expansion went as planned, a move to a larger building in Scio Township would be required.

Hearing no further discussion it was moved and supported and Resolution 2002-19 was adopted, awarding an employment tax credit to Thomson Professional and Regulatory, Inc.

ACTION ITEM

*City of Benton Harbor Brownfield Redevelopment Authority
200 Wall Street
Benton Harbor, Michigan 49022*

John Czarnecki introduced Jeff Noel, President of Cornerstone Alliance. Mr. Noel talked about the collaborative effort between the City of Benton Harbor and Cornerstone Alliance with regard to the community's strategic plan – "Building the Community Through Partnerships: Brick by Brick, Block by Block". The Fidelity Building Redevelopment project is an important part of the rehabilitation plans the downtown business district.

The Fidelity Building is an eight-story triangular structure that has been vacant for nearly 30 years. Finley Development, Inc. intends to completely renovate this historic structure

to accommodate senior housing. The total investment required to bring the building back to a useful condition is expected to exceed \$5.2 million.

John Czarnecki continued the presentation. To finance the proposed redevelopment activities, the community will utilize Cornerstone Alliance funds and a Michigan Economic Development Corporation Core Communities Fund loan. The developer is negotiating with the Michigan State Housing Development Authority (MSHDA) for financing of a senior housing project. In addition to the approval by the MEGA, the community is seeking approval of tax increment financing from the Michigan Department of Environmental Quality (MDEQ) for the costs of environmental studies (\$7,500). The developer is also seeking Historic Preservation Tax Credits.

Because the site is within a Renaissance Zone, no property tax revenue will be generated until 2008 and will not be fully taxable until 2011. When taxable, the project will generate approximately \$22,000 (\$13,000 local and \$9,000 school) a year in property tax revenue. Over the life of the tax capture, approximately \$158,070 will be local taxes and \$109,430 will be state school taxes.

The City of Benton Harbor is a qualified local governmental unit and this project is included in a duly approved brownfield plan.

The building has been declared blighted by the City of Benton Harbor and its Chief of Code Enforcement Officer. According to the City's Chief of Code Enforcement Officer, the Fidelity Building contains "... defective conditions that increase the hazard of fires, accident and other calamities. These conditions are unsafe, unsanitary, dangerous or detrimental to the health and safety of the residents of Benton Harbor." This determination is consistent with the Act, specifically Section 2(e)(iii), which states that the property "is a fire hazard or is otherwise dangerous to the safety of persons or property".

Breakdown of Project Costs:

Infrastructure ~ Public parking lot	\$100,000
Demolition	150,000
Lead/Asbestos Abatement	7,500
Site Preparation	<u>10,000</u>
	\$267,500

Recommendation

The Michigan Economic Development Corporation recommends MEGA Board approve the proposed tax capture of \$267,500 for the activities described in the work plan

Board Discussion

Tim Ward indicated that the Executive Committee had considered the work plan requests and was recommending the approval of the requested tax capture for each of the projects.

Hearing neither questions nor discussion from the Board, motion was made and supported and Resolution 2002-20 authorizing the capture of school operating taxes as requested in the work plan, was adopted for the City of Benton Harbor's Fidelity Building.

ACTION ITEM

*City of Benton Harbor Brownfield Redevelopment Authority
200 Wall Street
Benton Harbor, Michigan 49022*

Mr. Noel briefed the Board on the Benton Hotel Redevelopment project, as Cornerstone Alliance is acting as the primary developer in this project. The 90-year old building is in complete disrepair and has been vacant for many years. The intent of Cornerstone Alliance is to stabilize the building and make other modifications in order to make it attractive to private enterprise investment.

In order for this particular building, and the adjacent businesses, which make up Benton Harbor's Arts District, to be successful, there is a great need to upgrade an existing public parking lot. Poor drainage has often rendered the lot inaccessible. The activities to be financed by tax capture approved by the MEGA include the reconstruction of the parking lot and minor demolition and site preparation activity. This is a speculative project. No private developer has been identified.

John Czarnecki continued the presentation. The project is part of a \$250,000 MEDC Core Communities Fund loan project. The project is also seeking MDEQ approval for \$7,500 in tax increment financing to cover the costs of environmental studies.

The project is expected to generate nearly \$12,000 in additional property taxes (\$7,000 local and \$5,000 school). Over the life of the tax increment financing plan, \$179,375 in local property taxes and \$128,125 in state school property taxes will be captured for the project.

The City of Benton Harbor is a qualified local governmental unit and this project is included in a duly approved brownfield plan. The building has been declared blighted by the City of Benton Harbor and its Chief of Code Enforcement Officer. According to the City's Chief of Code Enforcement Officer, the Benton Hotel Redevelopment contains ". . . defective conditions that increase the hazard of fires, accident and other calamities. These conditions are unsafe, unsanitary, dangerous or detrimental to the health and safety of the residents of Benton Harbor."

Breakdown of Project Costs:

Infrastructure ~ Parking Lot	\$250,000
Demolition	25,000
Lead/Asbestos Abatement	7,500
Site Preparation	<u>25,000</u>
	\$307,500

This highly blighted building sits in the heart of Benton Harbor's Art District, which has realized a major makeover in recent years. This project will add to the ongoing redevelopment efforts of the community.

Recommendation

The Michigan Economic Development Corporation recommends approval of tax capture of \$307,500 for the activities described in the work plan.

Board Discussion

Hearing neither questions nor discussion from the Board, motion was made and supported and Resolution 2002-21 authorizing the capture of school operating taxes as requested in the work plan, was adopted for the City of Benton Harbor's Benton Hotel Redevelopment.

ACTION ITEM

*City of Benton Harbor Brownfield Redevelopment Authority
200 Wall Street
Benton Harbor, Michigan 49022*

Mr. Jeff Noel of Cornerstone Alliance described the Integrity Design Project for the Board. Formerly located in an office building in St. Joseph, Integrity Design agreed to relocate in order to facilitate a major expansion by Whirlpool. The identified location for its new office is in downtown Benton Harbor.

The 80-year old building last housed a senior center, until the organization was forced to move because the building was considered unsafe. The company, with financing provided by Cornerstone Alliance, is investing \$350,000 in improvements to the structure. Integrity Design plans to employ 18 people within 30 months. The work plan request is for \$50,000 to finance a public parking lot. The downtown area where this new company is located suffers from insufficient parking.

John Czarnecki continued the presentation. The project is part of a \$250,000 MEDC Core Communities Fund loan project and will continue the community's efforts to

eliminate the blight in downtown Benton Harbor and bring jobs to the community. The project is also seeking MDEQ approval for \$7,500 in tax increment financing to cover the costs of environmental studies.

The project is expected to generate \$12,700 in property taxes in the first year, of which \$7,440 will be local taxes and \$5,268 will be state school taxes.

The City of Benton Harbor is a qualified local governmental unit and this project is included in a duly approved brownfield plan. The building has been declared blighted by the City of Benton Harbor and its Chief of Code Enforcement Officer. The building contains “. . . defective conditions that increase the hazard of fires, accident and other calamities. These conditions are unsafe, unsanitary, dangerous or detrimental to the health and safety of the residents of Benton Harbor.”

Recommendation

The Michigan Economic Development Corporation recommends approval of tax capture of \$50,000 for the activities described in the work plan.

Board Discussion

Hearing neither questions nor discussion from the Board, motion was made and supported and Resolution 2002-22 authorizing the capture of school operating taxes for the costs of improvements to the parking lot as requested in the work plan, was adopted for the City of Benton Harbor's Integrity Design building.

ACTION ITEM

*City of Detroit Brownfield Redevelopment Authority
Detroit Economic Growth Corporation
211 West Fort Street, Suite 900
Detroit, Michigan 48226*

Mr. Hansen, Vice President of the Federal Reserve Bank of Chicago, was introduced to describe the project. He said that in response to changes in technology and the need for greater security, the Federal Reserve Bank is seeking to construct a new 260,000 square foot office and processing center. He explained that the Federal Reserve Bank of Chicago is one of 12 reserve banks in the nation. The reserve banks are private corporations. The Detroit branch is responsible for processing currency, processing checks and electronic payments, and routing payments between commercial banks. The Federal Reserve (Detroit branch) currently employs 270 people and will maintain that staffing level at this new facility. The investment in the property will approach \$65 million.

John Czarnecki continued the presentation. Historically, the chosen site (bounded by Warren, Russell, and Forest avenues and a rail line) contained a mix of housing and industrial development. The industrial operations on site included a furniture factory, chemical company, fuel and ice company, and an oil drum and paint can repairing operation. The site has been generally clear and the internal city streets closed since the early 1980s.

The work plan calls for significant infrastructure, demolition, and site preparation work to bring the property to a more viable condition for redevelopment. A major activity will involve the relocation of multiple utility service lines that cross the property, including a water main. Although only one small building remains on the site, substantial demolition activity is necessary to remove a deteriorated parking lot and underground foundations, along with including a new turn lane, sidewalks, and curb cuts.

Although Warren Avenue, west of I-75, has realized significant development as a result of Wayne State University and the hospitals, the east of I-75 is plagued by vacant structures, both commercial and residential. The project could jump start activity in an area plagued by blight and disinvestments. The Federal Reserve has approached the MDEQ for \$1,149,760 in environmental due care activities. Further, the city intends to offer an industrial facilities exemption (P.A. 198) for 12 years on real property investment.

When completed, the project will generate approximately \$889,000 in new property taxes, of which \$674,000 is available for tax capture (non-debt millage). The local share will approach \$418,000 with the remaining \$256,000 coming from state school property taxes.

Breakdown of Project Costs:

Infrastructure		
	Ingress/Egress	\$185,000
	Utility relocation	850,000
	Streetscape (sidewalks)	300,000
	Traffic improvements	200,000
	Engineering	339,692
	ALTA/Topo Survey	11,000
Demolition		500,000
Site Preparation		<u>832,000</u>
		\$3,217,692

The City of Detroit is a qualified local governmental unit and the project is included in a duly approved brownfield plan. The site is also contaminated and classified as a facility.

Recommendation

The MEDC recommends approval of tax capture for the activities described in the work plan. The project will result in the redevelopment of a blighted and contaminated site. This project has the potential to generate additional private investment east of I-75.

Board Discussion

Doug Roberts questioned Mr. Hansen about the banks fees and profits. Mr. Hansen explained that the reserve banks are private corporations and have to compete with other large banking operations, such as Bank of America and Chase Manhattan. The Federal Reserve Bank is not a federal agency.

Mr. Roberts asked whether they have an advantage over their competitors in the form of their exemption from single business taxes. Mr. Hansen replied "Yes", that their tax liability is for real and personal property taxes and not single business taxes.

Hearing no further questions nor discussion from the Board, motion was made and supported and Resolution 2002-23 authorizing the capture of school operating taxes as requested in the work plan, was adopted for the City of Detroit's Forest Park Federal Reserve project.

The meeting was adjourned at 11:17 a.m.