

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 17, 2003 at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

Mark Haas (acting for and on behalf of Jay Rising, authorization attached)

David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)

Denise Ilitch

Faye Nelson

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Peter Anastor, MEDC

Amy Banninga, MEDC

Kathy Blake, Sr. Vice President, Business Development, MEDC

John Czarnecki, MEDC

Jim Donaldson, MEDC

Jim Hettinger, Battle Creek Unlimited

Val Hoag, MEDC

Carol Knobloch Johns, MEDC

Sabrina Keeley, COO, MEDC

Paul Krepps, MEDC

Amy Lane, Crain's Business Publications

Penny Launstein, MEDC

Ronnie Lewis, V.P., Plastech

Susan McCormick, MEDC

Peggy McNichol, Ernst & Young

Mark Morante, MEDC

Bill Morris, President, Monroe County IDC

Jim Paquet, Secretary to the MEGA Board

Mike Pohnl, MEDC

Tom Schimpf, Assistant Attorney General

Vern Taylor, MEDC

Jim Tischler, Monroe Bank & Trust

Stan Tooley, Sr. V.P., DENSO

Joseph M. Voszatka, City of Wyandotte BRA

Harry Whalen, MEDC

Call to Order

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

Approval of Minutes from May 27, 2003

A motion was made, supported and carried that the minutes from the May 27, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

City of Wyandotte Brownfield Redevelopment Authority
3131 Biddle Avenue
Wyandotte, Michigan 48192

John Czarnecki began the presentation by introducing Joseph Voszatka from the City of Wyandotte Brownfield Redevelopment Authority. Mr. Voszatka gave a presentation to the board. Monroe Bank & Trust, a local bank founded in Monroe, Michigan more than 140 years ago, has been expanding into the Downriver market area. In recent years they have opened facilities in Flat Rock and Wyandotte. As part of their growth plan, the bank is seeking to open a new facility that will serve not only as a new branch, but as its Downriver regional headquarters.

The proposed project site currently houses the former Coca-Cola bottling plant, built in 1912. The bottling company closed in the 1970's, with various businesses occupying the space through the late 1990's. The building has been vacant since 2000 and has seen several unsuccessful attempts at redevelopment. The building has been determined to be blighted by the community.

The project will involve demolition of the the bottling plant building and an adjacent house and construction of a 10,000 square foot, 2-story building. Demolition costs are estimated at \$83,200.

PROJECT COSTS

Demolition	\$ 63,200
Interest (5.25%)	\$ 30,661
Work Plan Preparation	<u>\$ 3,000</u>
Total	\$ 96,861

The property is located within the city's Downtown Development Authority, which is capturing all but the local Intermediate School District and state school millages. The community is participating in this project by contributing \$20,000 towards the demolition. The development is eligible and is expected to apply for a Brownfield Single Business Tax Credit of approximately \$200,000.

The cost of the eligible activities is \$116,861. The tax capture request is for \$96,861. The tax breakdown is as follows:

\$84,570 State School Property Taxes (87%)
\$12,291 Local Property Taxes (13%)
\$96,861

The property, formerly used for commercial purposes, is blighted and is located within the boundaries of the City of Wyandotte, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on June 5, 2003.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$96,861 for the demolition activities described above.

Board Discussion

Mayor Hollister asked whether the project involves just one building. Mr. Voszatka responded, saying that, in addition to the one building being demolished, an adjacent residence will also be razed.

Faye Nelson gave the Executive Committee report. The MEGA Executive Committee recommended approval of the project by the MEGA Board.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-15, approving a capture of taxes levied for school operating purposes, for the City of Wyandotte Brownfield Redevelopment Authority's Monroe Bank and Trust project, was adopted.

ACTION ITEM

*DENSO Manufacturing Michigan, Inc.
One Denso Road
Battle Creek, Michigan 49015*

Jim Donaldson introduced Stan Tooley from DENSO, and Jim Hettinger from Battle Creek Unlimited. Mr. Tooley began with a brief description of the company which designs and produces automotive heating and cooling systems. The company was established in Battle Creek in 1984, with initial production beginning in July 1986. Currently, DENSO has over 3,800 employees in Michigan.

Mr. Hettinger indicated that the local incentives were part of its long term strategy to insure that DENSO, which is already the second largest taxpayer in Calhoun County,

grows its operations in Battle Creek. The local community is prepared to offer tax abatements and to make traffic improvements to support the project.

Mayor Hollister asked about the dollar value of the community's support.

Mr. Hettinger responded, saying that the local commitment totaled \$4.5 million.

Mr. Donaldson continued, indicating that DENSO will add 90,000 square feet of manufacturing space at their Battle Creek facility. The expansion is expected to generate 300 new jobs in the next two years.

Total capital investment for the project would be approximately \$45 million, including \$10 million for new building costs and \$35 million for new machinery and equipment. Construction on the expansion would begin immediately, with expansion construction completed by December 2003.

It is estimated that this facility will generate a total of 702 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$23.7 million due to the presence of this facility.

DENSO Manufacturing Michigan is also considering an alternative location in the southern United States. Based on the company's analysis, the major cost gap is lower wage costs in the south. DENSO estimates that labor costs in the south would be 10% lower, saving the company nearly \$1 million per year when fully staffed. The company would also have lower property tax costs in the south, although property tax abatements supported by Battle Creek will offset much of those costs.

The City of Battle Creek is offering a 50 percent abatement of the company's new real and personal property for 12 years. The value of the abatement is estimated at \$4,489,800. Approval of the tax abatement is expected in August of 2003. In addition, the City of Battle Creek will provide the company with 1.8 acres of land and a new road to the expanded facility. The estimated value of the land and road is \$150,000. Battle Creek Unlimited and Kellogg Community College will also provide labor training for up to 200 new employees.

Recommendation

The Michigan Economic Development Corporation recommends a 50 percent employment tax credit for ten years, for up to 300 net new employees.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended board approval of the tax credit.

Tom Schimpf asked about a discrepancy between the briefing memo and the resolution with regard to the number of jobs to be maintained by the company. Jim Paquet explained that the number of base jobs in the resolution excludes jobs at a Jackson joint venture that the company participates in, but does not control.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-16, approving a MEGA tax credit for DENSO Manufacturing Michigan, Inc., was adopted.

ACTION ITEM

*Plastech Engineered Products
22000 Garrison
Dearborn, Michigan 48124*

Jim Donaldson began by introducing Ronnie Lewis from Plastech Engineered Products and Bill Morris of the Monroe County Industrial Development Corporation.

Mr. Lewis indicated that Plastech Engineered Products, a minority owned business, was established in Michigan in 1988. It received early support in the form of a loan from the Michigan Strategic Fund and has grown from \$3 million in revenues to \$600 million in fifteen years. The company manufactures, paints and assembles injection molded plastic parts primarily for the automotive industry. It has nine facilities in Michigan that employ 1,382 people at and six others in South Carolina, Ohio, and Kentucky which employ another 3000.

He discussed the company's plans to build a new manufacturing complex in Frenchtown Township in three phases. The first phase will be a 252,000 square foot blow molding facility that will be expanded by 75,000 square feet within two years in phase two. A second 375,000 square foot facility for injection molded products will be added within three years as phase three. The total capital investment for this project is approximately \$110 million. The company is also considering a site in Kentucky, where it recently opened a plant.

Jim Donaldson continued the presentation. If Plastech selects Michigan, the project is expected to result in the creation of approximately 900 jobs over the first five years with an average weekly wage of \$511.

It is estimated that this facility will generate a total of 1,898 jobs in the state by the year 2016. Total state government revenues through the year 2016, would be increased by \$61.9 million due to the presence of this facility.

Plastech compared the costs of the project in Frenchtown and a site in Kentucky. The company faces higher labor and utilities costs in Michigan. The differential is estimated to be approximately \$6 million per year once the project is fully staffed.

The State of Michigan has offered assistance for the acquisition of equipment for training and production. A \$500,000 Community Development Block Grant (CDBG) has been provided to meet these needs.

The Charter Township of Frenchtown approved a 50 percent abatement of the company's new real and personal property taxes for twelve years at their June 10, 2003 meeting. This tax abatement has an estimated value of \$8,202,177.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 13 years for up to 900 net new employees.

Board Discussion

Faye Nelson gave the report of the Executive Committee which recommended board approval of the tax credit.

A motion was made and supported to adopt Resolution 2003-17.

Cullen DuBose asked when the credit would begin and whether the company would get a credit on 900 jobs. Jim Paquet explained that the employment credit would begin in 2004 and run for 13 consecutive years. The credit is determined annually based on the payroll for qualified new jobs during the tax year. As long as the minimum number of 75 jobs was created, the company could collect the credit on as many new jobs as it had created through the end of a given tax year. Typically there is a period in which employment ramps up, so it was not expected that the company would be collecting the credit on the maximum number of 900 new jobs for several years.

Hearing no further discussion, Resolution 2003-17, authorizing a MEGA tax credit for Plastech Engineered Products, was adopted.

Denise Ilitch suggested that, for future projects brought before this board, photographs or design-drawings of the proposed projects be made available for viewing as part of the presentation.

ACTION ITEM

*Speedrack Products Group, Ltd.
7903 Venture Avenue
Sparta, Michigan 49345*

Jim Paquet made a presentation to the board, explaining the requested amendment. On December 18, 2001, the MEGA adopted Resolution 2001- 055 approving tax credits for Speedrack Products Group, Ltd's expansion of its manufacturing operations in Quincy, Branch County. In its MEGA Agreement, Speedrack committed to maintaining

its base employment level of 51 and creating at least 75 new jobs, paying an average weekly wage of \$540, by June 30, 2003.

The company purchased an existing facility and invested more than \$1,000,000 in improvements and repairs, and has also installed \$3.5 million in new manufacturing equipment. It has created 18 new jobs, paying an average weekly wage of \$585, while maintaining its base employment level of 51 jobs in a difficult business climate.

Bringing the plant on-line and staffing it to the level that resulted in the creation of 75 new jobs has been delayed by a variety of environmental problems at the site that required testing and remediation. The company believes that the remaining environmental issues will be resolved within the next few months and that it can reach the required job creation level by June 30, 2004. The company has requested a one-year extension of its anniversary date.

Recommendation

Staff recommends that the MEGA extend Speedrack Products Group Ltd's anniversary date for one year, to June 30, 2004, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged.

Board Discussion

David Hollister asked whether this type of request for amendment is unusual. Jim Paquet responded that it was not uncommon for the Board to extend anniversary dates when projects were delayed. Typically, amendments are not considered until after the original anniversary date has passed. That policy allows the company the maximum amount of time to meet the requirements of the credit, while allowing the Board to weigh the company's progress toward that goal when considering an extension.

Faye Nelson gave the report of the Executive Committee which recommended board approval of the amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2003-18, approving an amendment to Resolution 2001-055, extending the anniversary date for Speedrack Products Group, Ltd., was adopted.

The meeting was adjourned at 10:40 a.m.

Next meeting of the MEGA board is scheduled for Tuesday, July 15, 2003.