

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 201 N. Washington Square, 4th Floor Conference Room on June 19, 2001 at 10:00 a.m.

Members Present

Beth Chappell (by phone)
Sarah Deson-Fried
Nancy Duncan (acting for and on behalf of Duane Berger, authorization attached)
Doug Rothwell
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)
Nancy Taylor (acting for and on behalf of Doug Roberts, authorization attached)
Tim Ward

Members Absent

Craig DeNooyer

Others Present

Jason Allen, State Representative
Karen Ammarman, MEGA, MEDC
Peter Anastor, MEGA, MEDC
Rob Bacigalupi, Traverse City DDA
Rosalee Billingslea, Communications, MEDC
Kathy Blake, Senior V.P., Business Development, MEDC
Bob Branske, Krestec Engineering, LLC
Patrick Burtch, Village of Dundee
Bryan Crough, Traverse City DDA
John Czarnecki, Vice President, Business Services, MEDC
Linda Dankoff, MEGA, MEDC
Jim Donaldson, Vice President, MBD, MEDC
Frank Ferro, MEDC
David Jeup, Vice President, GBD, MEDC
Carol Knobloch Johns, MEDC
Lori LaPerriere, MEDC
Richard Lewis, City of Traverse City
Mac McClelland, Grand Traverse County
Mark Morante, Vice President, Dev. Finance, MEDC
Bill Morris, Monroe County EDC
Jim Paquet, Secretary to the MEGA Board
Tom Schimpf, Attorney General
Peter Strom, Grand Traverse County
Vern Taylor, MEDC
Duane Thelen, MEDC
Craig Viers, Krestec Engineering, LLC

Call to Order

Doug Rothwell called the meeting to order at 10:05 a.m.

Approval of Minutes from May 15, 2001

It was moved, supported and carried that the minutes from the May 15, 2001 meeting be adopted.

Public Comment

There was no public comment.

Action Item:

*Krestec Engineering, L.L.C.
6301 Haggerty Road
Belleville, Michigan 48111*

Jim Donaldson introduced Craig Viers of Krestec Engineering, L.L.C., who presented the project to the Board. Krestec Engineering, LLC is a new company created to manufacture aluminum stampings and assemblies for the automotive industry. Related companies currently have 1,610 employees in Michigan.

Krestec Engineering is proposing to build a 256,000 square foot facility in Dundee, Michigan or Delta, Ohio. The project requires an investment of \$36.7 million, including \$11.7 million for land and buildings and \$25 million for new machinery and equipment. A total of 280 new jobs will be created due to the project with 93 new jobs being created in the first year. The average weekly wage will be \$468 with a benefit package worth up to 27 percent of wages. Project construction will begin in August, 2001, with completion of the facility planned for July, 2002. The facility is expected to be fully operational in January, 2003, after equipment is installed and limited test production runs are completed.

The economic analysis done by the University of Michigan estimates that the facility will generate a total of 585 jobs in the state by the year 2014. Net state government revenues through the year 2014 would be increased by \$24.4 million due to the project.

The two sites under consideration, Dundee, Michigan and Delta, Ohio, are located within the same geographical area. Due to the proximity of the sites, the operational cost differential is minimal. Ohio offers lower property taxes, about \$150,000 per year. Ohio is also offering a competitive package of incentives including tax credits, worth approximately \$3.2 million. In addition, training and local tax abatements are being offered.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 280 new employees, totaling \$280,000. Michigan will provide a 100% abatement of the 6-mill State Education Tax valued at \$849,600. A Community Development Block Grant worth up to \$2 million will be offered to provide infrastructure improvements for the company.

The Village of Dundee has proposed a 50 percent abatement of the company's real and personal property taxes for twelve (12) years. The estimated value of this local abatement is \$4,014,200.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for eleven (11) years and 50 percent for one year for up to 280 net new jobs.

Board Discussion

Mr. Ward gave the report of the Executive Committee. The Committee feels the MEGA credits are needed to offset the advantage of the incentives provided by Ohio.

Chairman Rothwell asked if there were any further questions from the Board. There being none, it was moved and supported, and Resolution 2001-030 awarding a MEGA Tax Credit to Krestec Engineering, L.L.C. was adopted.

Pat Burtch with the Village of Dundee thanked the MEGA Board and the Michigan Economic Development Corporation.

Action Item:

*Hanna Lay & Company
Grand Traverse County Brownfield Authority
400 Boardman Avenue
Traverse City, Michigan 49684-2577
Boardman Lake Project*

John Czarnecki began the presentation. The Board's approval is requested to capture school operating taxes to pay for eligible activities in a work plan to redevelop the Boardman Lake area of Traverse City. It is the third work plan approval request the Board has considered from Traverse City. The project will make infrastructure improvements around Boardman Lake, which is just south of downtown, making possible the conversion of industrial land to residential uses.

Improvements include relocating a rail line, demolition of buildings, and construction of a new roadway that will improve access to downtown and relieve traffic congestion in adjacent residential areas.

The condominium development that is expected to follow the infrastructure improvements will increase use of the lakefront and alleviate blight.

Mac McClelland of Grand Traverse County offered more detail on the Hanna Lay (Boardman Lake) project. The West project is a key component in the city master plan. It will help preserve existing neighborhoods and stimulate development on the west side of the lake.

The total cost of the MEGA eligible activities included in the work plan is \$3,372,579. A vast majority of taxes collected on the project will be local taxes. School operating tax capture will be \$613,809, or about 18 percent of the total.

RECOMMENDATION:

The MEDC recommends approval of school operating tax capture for the proposed eligible activities as presented in the workplan because of the following factors:

- The project will improve access to downtown areas;
- It will help reverse the decline in the area by developing new housing and adding infrastructure;
- It will result in reuse of a previously contaminated industrial site;
- The tax capture will help offset extraordinary costs associated with the development.

Eligible activities recommended for funding include:

A. Demolition at -	\$ 93,000
B. Site Preparation at-	610,500
C. Infrastructure Improvements at -	2,411,780
D. Contingency @ 15%	467,292
E. MEGA Review Costs (estimate)	2,000

Total costs - \$3,584,572

Jackie Shinn commented that the Michigan Department of Transportation endorses and supports this project.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, and supported, and Resolution 2001-031 approving school operating tax capture for the Boardman Lake project was adopted.

The meeting was adjourned at 10:45 a.m.