

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 North Washington Square, on June, 19 2007, at 10:00 a.m.

Members Present

Susan Corbin (acting on behalf of Keith Cooley, authorization attached)
Cullen DuBose
Jim Epolito
Andrew Lockwood (acting on behalf of Robert Kleine, authorization attached)
Faye Alexander Nelson (via conference call)
Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

Others Present

Mark Adams, Oakland County
Karen Ammarman, Secretary to the Board, MEDC
Peter Anastor, MEDC
John Anhut, Farmington Hills Economic Development Corporation
Teri Arbenowske, City of Farmington Hills
Amy Banninga, MEDC
Edwin Bayer City of Warren
Jared Belka, MEDC
Tiffany Bloom, MEDC
Dennis Bostick, Universal Mall, LLC
Stacy Bowerman, MEDC
Toni Brownfield, MEDC
John Byl, Warner Norcross & Judd LLP
Gina Cavaliere, City of Warren
Scott Chappelle, Strathmore Development Company
Rick Comiskey, SR., LMS North America
Antoine Dubeauclard, Media Genesis, Inc.
Joe Dueweke, MEDC
Amy Duprez, MEDC
Jessica Eisenman, Washtenaw County Department of Planning and Environment
Susan Fleitman, General Mills Operations, Inc - Yoplait
Steven Forsberg, LMS North America
George Freeman, City of Reed City
Roberta Freeman, City of Reed City
John Green, Founders RE, LLC
Patrick Greve, AKT Peerless Environmental Services
Stephen Haakenson, MEDC
Coffiann Hawthorne, Office of the Governor
Greg Hopton, LMS North America
Anne Jamieson-Urena, AKT Peerless Environmental Services
William Kratz, MEDC
Andrea Laramie, Ernst and Young
Jeff Mason, MEDC
Kevin McDonald, City of Ann Arbor
Kevin McGraw, Strathmore Development Company
Art Miller, Jr. Leadership Consultants, Inc.
Mark Morante, MEDC

Brian Murphy, City of Troy
Gary Naab, General Mills Operations, Inc.
Susan Novakoski, MEDC
John Nunnely, Hitachi Automotive Products (USA), Inc.
Jennifer Owens, MEDC
Jim Paquet, MSHDA
Nate Pilon, MEDC
David Porteous, General Mills Operations, Inc. - Yoplait
Matthew Rick, Attorney General's Office
Ken Rocco, Whitehall Industries
Christine Roeder, MEDC
Mike Shore, MEDC
Eric Soucey, City of Grand Rapids
The Honorable Mark A. Steenbergh, Mayor of the City of Warren
Vern Taylor, MEDC
Joseph Thomas, Universal Mall, LLC
Tim Thwing, City of Royal Oak
Andy Winkel, Founders RE, LLC

Call to Order

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

Approval of Minutes from May15, 2007

After review, a motion was made, supported and carried that board meeting minutes from the May 15, 2007, meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Hitachi Automotive Products (USA), Inc.
34500 Grand River Avenue
Farmington Hills, Michigan 48335*

Christine Roeder introduced John Nunnely with Hitachi Automotive Products (USA), Inc. (HAP) along with Teri Arbenowske with the City of Farmington Hills and John Anhut with Farmington Hills Economic Development Corporation. Mr. Nunnely described the project for the board. HAP designs and manufactures components for the automotive industry. These components include control units, hybrid vehicle drives and motors, sensors, electronic throttle bodies, fuel systems, valve timing systems, steering gears and pumps, braking systems and suspension systems. HAP was founded in Harrodsburg, Kentucky in 1985 and is a fully owned subsidiary of Hitachi America, Ltd.

Hitachi started producing automotive products in Japan in 1930, and is known for customer service and continuing efforts to provide the best products and the most advanced technology. HAP and related Hitachi automotive technology businesses currently employ 361 associates in Michigan.

HAP is proposing to expand their existing Farmington Hills technical center by 104,000 square feet. This expanded facility will house several Hitachi divisions which work in the automotive industry along with HAP. The company anticipates an investment of approximately \$16,000,000 in real and personal property to expand and equip their facility.

Ms. Arbenowske discussed the local contribution for the board. The City of Farmington Hills has approved a six year real and personal property tax abatement under PA198 of 1974. This abatement has an estimated value of \$859,000.

Amy Banninga provided additional information about the project for the board. The company anticipates the creation of up to 100 new jobs over the five years following the completion of the project. Most of these positions will be engineering and design related, with an average weekly wage of \$1,436.

It is estimated that this facility will generate a total of 205 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$4.0 million due to the presence of this facility.

The Hitachi Automotive Products (USA), Inc. headquarters in Harrodsburg, Kentucky is also under consideration for this project. Higher labor costs in Michigan will add approximately \$1.4 million to annual operation costs once the project is fully staffed.

The Michigan Economic Development Corporation has offered a one hundred percent abatement of the six mill State Education Tax for the term of the local property tax abatement. This will provide an estimated savings of \$248,000 over the six year term.

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing related to the development of a product, as defined in the Act.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years, for up to 100 net new employees.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-50, authorizing a MEGA tax credit for Hitachi Automotive Products (USA), Inc., was adopted.

ACTION ITEM

*LMS North America
5755 New King
Troy, Michigan 48084*

Jennifer Owens introduced Greg Hopton with LMS North America and Brian Murphy from the City of Troy. Mr. Hopton described the project for the board. LMS is a Belgium based engineering innovation partner for companies in the automotive, aerospace and other advanced manufacturing industries. LMS offers a unique combination of virtual simulation software,

mobile and lab testing systems and engineering services in the areas of structural analysis, motion, ride and handling, noise and vibration, acoustics and durability. LMS is the recognized leader in virtual prototype simulation for critical performance disciplines such as structural integrity and safety, vehicle dynamics, comfort and sound quality, fatigue and durability. Its integrated solutions enable engineers to accurately simulate and refine mechanical design long before prototype testing.

The North American headquarters for LMS is currently located in Troy, Michigan, with a sister office located in Coralville, Iowa. The company currently has 56 employees in Michigan.

Due to continued year-over-year growth, LMS North America is in a position to expand its current operations, ultimately requiring the company to relocate to a larger facility. A facility has been identified in Troy, Michigan, which would give the company more than 30,000 square feet of office and lab space.

Mr. Murphy discussed the local contribution for the board. The City of Troy has proposed fifty percent property tax abatement on the company's new personal property for 12 years. The estimated value of this abatement is \$10,900.

Amy Banninga provided additional information about the project for the board. LMS expects to add up to 50 new jobs over the next five years, at an average weekly wage of \$1,558. Capital investment for this project is expected to exceed \$600,000, including leasehold improvements and furniture and fixtures.

It is estimated that this facility will generate a total of 106 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$1.6 million due to the presence of this facility.

LMS has an existing 20,000 square foot facility in Coralville, Iowa, as well as enough land to build a brand new facility. The Belgium headquarters sees no real reason to keep the North American headquarters in Michigan. Not only does the Iowa location have room for the expansion, wages are considerably lower in Iowa and the State of Iowa has committed to more than \$1 million to encourage the company to move Michigan operations to Iowa.

The Michigan Economic Development Corporation has offered up to \$25,000 in training assistance through the Economic Development Job Training program; up to \$500 per employee for up to 50 new and existing employees.

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing related to the development of a product, as defined in the Act.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years, for up to 50 net new employees.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-51, authorizing a MEGA tax credit for LMS North America was adopted.

ACTION ITEM

*Media Genesis, Inc.
1401 West Girard Avenue
Madison Heights, Michigan 48071*

Christine Roeder introduced Antoine Dubeauclard with Media Genesis along with Tim Thwing from the City of Royal Oak and Mark Adams from Oakland County. Mr. Dubeauclard described the project for the board. Media Genesis was founded in 1996 by former EDS employees, and provides development, design, maintenance and hosting of websites and e-learning solutions. The company offers a full production of video and audio needs, language translation, consultation, promotion, Corporate Identity, as well as any print work collateral that is needed. Clients include Altair Engineering, ArvinMeritor, DaimlerChrysler, Detroit Regional Chamber, Dickinson Wright, General Motors, Kelly Services, Kia Motors, Olga's Kitchen, Wal-Mart, and Warner Brothers.

The business has been on a steady increase, with an average 30% growth rate over the past several years. The company is currently headquartered in Madison Heights, and has hosting and contracting locations in Southfield, MI and Miami, FL, and global hosting in Germany and India. Media Genesis currently employs 22 associates in Michigan.

The company needs a new facility to accommodate expanding operations. Since Media Genesis has a creative dimension, it is critical to find a location that is desirable to future staff - specifically the creative staff who are harder to recruit and most sensitive to work environment.

Mr. Thwing discussed the local contribution for the board. The City of Royal Oak has approved a reduction of \$45,742 to the established selling price of city owned property adjacent to the project site. The property had been listed at \$19 per square foot based on a prior sale of similar property, but the price was reduced to \$14 per square foot in support of this project. This property is suitable for a company parking lot, and the offer is contingent on Media Genesis purchasing and redeveloping the property at 916 North Main Street in Royal Oak.

Amy Banninga provided additional information about the project for the board. The company has identified an existing building in the City of Royal Oak and will invest approximately \$3,750,000 to rehabilitate and equip this facility. The company anticipates the creation of up to 155 new positions in the next five years, with an average weekly wage of \$867.

It is estimated that this facility will generate a total of 288 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$4.4 million due to the presence of this facility.

Media Genesis is also considering locations in and around the Miami, Florida area. The company's recruiting and retention cost for talented developers is greater in Michigan because of the amenities offered by communities such as Miami, Chicago, New York and San Francisco. Many of the best candidates produced here in Michigan leave to seek employment elsewhere. The company has hired recruiters and offers more in salary, benefits, housing and transportation to recruit and retain staff, and has extensive support and retention programs for their employees.

The company is a qualified high-technology business, whose primary business activity is advanced computing, as defined in the Act.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years, for up to 155 net new employees.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Jim Epolito asked how long staff has been working on this project. Amy Banninga stated the first meeting with the company was on May 10, 2007.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-52, authorizing a MEGA tax credit for Media Genesis, Inc., was adopted.

ACTION ITEM

*General Mills Operations, Inc.
P.O. Box 1113
Minneapolis, MN 55440*

William Kratz introduced Susan Fleitman Gary Naab, and David Porteous with General Mills Operations, Inc. along with George Freeman from the City of Reed City. Ms. Fleitman described the project for the board. General Mills, Inc., was incorporated in Delaware in 1928 and is headquartered in Minneapolis, Minnesota. Through operating subsidiaries, it is a leading producer of packaged consumer foods and operates exclusively in the consumer foods industry. The principal product categories in the U.S. retail segment include, but are not limited to, Big G Cereals, Meals, Pillsbury USA and Yoplait. In addition to its consolidated operations, the company manufactures and sells products through several joint ventures. General Mills Operations, Inc. is a wholly owned subsidiary of General Mills, Inc. and operates the plant in Reed City, Michigan, which produces Yoplait yogurt. Yoplait had approximately \$1 billion in sales in FY 2006-2007. The company currently has 389 employees at its Reed City location.

In order to meet the growing demand for Yoplait yogurt, General Mills Operations, Inc. is considering an investment of approximately \$32 million in real and personal property over three years, to expand its existing operations, to increase production and meet market demand. The proposed investment will consist largely of machinery and equipment associated with the manufacture and packaging of yogurt products.

If the proposed investment is approved by General Mills for the Reed City facility at least 25 new high quality jobs will be created over the next five years paying an average weekly wage of \$488.

It is estimated that this facility will create a total of 52 jobs in the state by the year 2015. The project would increase total state government revenues through the year 2015, of \$1.6 million due to the location of this facility.

General Mills Operations, Inc. has three existing alternative facilities, in Tennessee, Massachusetts and California, to consider when planning for this increased production and proposed investment. The leading sites for this investment are Michigan and Tennessee. The Reed City facility produces 45% of the Yoplait yogurt produced nationally and the volume of the General Mills-Reed City facility has doubled since 2001. Because most of the the product is shipped out of Michigan, there is a significant transportation cost.

The City of Reed City has proposed a 12-year 100 percent property tax abatement for all new personal property that will be on the agenda of the June 18 city council meeting. The estimated value of the property tax abatement is \$5 million.

Through the Community Development Block Grant (CDBG) program, the State of Michigan is offering up to \$500,000 for qualifying wastewater treatment plant improvements.

Michigan Works! West Central will also work with the company to assist with training needs, employment screening, and ACT WorkKeys assessment.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 25 net new jobs.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Jim Epolito asked what percentage of yogurt was produced in Reed City. Susan Fleitman stated that 40 – 45 percent of the yogurt was produced in Reed City. Jim Epolito asked how the company transported their product. Ms. Fleitman stated that they transported their product by truck. Jim Epolito asked if they owned the trucks used to transport. Ms. Fleitman answered that they did not own the trucks.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-53, authorizing a MEGA tax credit for General Mills Operations, Inc., was adopted.

ACTION ITEM

*Signa Group, Inc.
801 South Madison Street
Ludington, Michigan 49431*

William Kratz introduced Ken Rocco with Whitehall Industries. Mr. Rocco described the proejct for the board. Signa Group, Inc. d/b/a Whitehall Industries, Inc. began operations in 1974 out of their original facility in Whitehall, Michigan. They provide precision machined and fabricated aluminum extrusions to various markets. In the late 70's the company opened a second plant in Ludington, Michigan. In 1992 the Whitehall location was closed and all operations were consolidated to the Ludington location.

Nihon Anodizing Co., Ltd, a Japanese corporation whose principle activity is aluminum anodizing, purchased the business in 1988 as an investment in related business sectors. The company has since begun supplying to automotive markets, primarily automotive sunroof

tracks. They added the extrusion capabilities in 2001 by purchasing an extrusion press and constructing an additional plant in Pere Marquette Township. They currently market their capabilities to automotive, furniture, and medical industries. Major customers include Webasto Roof Systems, Inalfa Roof Systems & Haworth, Inc. The company currently employs 291 people at both Michigan plants with net sales of \$43M last year.

On March 26, 2007, Whitehall industries took over operations of a competitor company in Aynor, South Carolina. Whitehall Industries is evaluating whether to continue operations in South Carolina or to move the work to their Michigan plants in the City of Ludington and Pere Marquette Township. MEGA tax credits would help alleviate some of these cost differences. A move would require an expansion of one or both Michigan facilities and the purchase of new and used equipment at an estimated cost of at least \$6,300,000. This will add approximately 70,000 sq. feet to the existing 150,000 sq. feet of manufacturing space. Additional office space will also be required. Both new and used equipment will be purchased. If this operation is moved, the company anticipates the creation of up to 100 new positions in the next five years, with an average weekly wage of \$508.

William Kratz discussed the local contribution for the board. The City of Ludington and Pere Marquette Township have both indicated commitment to approving a PA 198 for the abatement on personal for 12 years and on real property for 6 years in support to the project. It is estimated these abatements will save the company \$413,000 over 12 years.

Steve Haakenson provided additional information about the project for the board. It is estimated that this facility will create a total of 180 jobs in the state by the year 2014. It is also estimated that that the project would create total state government revenues through the year 2014, of \$2,898,000 due to the creation of these new jobs.

Signa Group is considering a move to Ludington or maintaining the operations in South Carolina. Signa Group indicated the construction costs would be approximately \$1M more in Michigan to expand and renovate verses purchasing the existing buildings in South Carolina. Furthermore, labor and benefit costs differences results in a 4-5% premium over South Carolina although some efficiencies in supervision, indirect labor and administration can be realized by moving the operation to Michigan. This does not include expected incentives from South Carolina.

Recommendation

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

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Jim Epolito asked where the competing site was located. Steve Haakenson replied Aynor, South Carolina. Jim Epolito asked if the MEGA credit closed the gap. Steve Haakenson stated the MEGA credit did close the gap.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-54, authorizing a MEGA tax credit for Signa Group, Inc. d/b/a Whitehall Industries, was adopted.

ACTION ITEM

General Motors Corporation Orion (2)
Average Weekly Wage Amendment

Tiffany Bloom described the proposed amendment for the board. In March of 2007, the MEGA authorized an Employment Credit of 100 percent for ten years to General Motors Corporation to maintain Retained Jobs and make New Capital Investment at the Orion Assembly plant in Oakland County and the Saginaw Metal Casting plant in Saginaw County to bring new products to each location. The credit was awarded for up to 880 Retained Jobs.

In May of this year, the company discovered that its original application for the credit had erroneously reported the weekly wage for the entire plant population, including salaried positions, rather than the weekly wage for the jobs it expects to retain. As a result, the Average Weekly Wage established in the resolution awarding the credit was \$1,236. If the correct weekly wage had been stated in the application, the Average Weekly Wage would have been computed at \$1,157.

Recommendation

Staff is satisfied with the company's explanation of the error and is recommending that the Average Weekly Wage be revised to \$1,157.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report and recommended approval of the requested transfer of tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-55, authorizing the Average Weekly Wage revision from \$1,236 to \$1,157 for General Motors Corporation Orion (2), was adopted.

ACTION ITEM

*City of Warren Brownfield Redevelopment Authority
Warren, Michigan*

Jim Paquet introduced Joseph Thomas and Dennis Bostick with Universal Mall, LLC along with the Honorable Mark A. Steenbergh, Mayor of the City of Warren and Edwin Bayer also from the City of Warren. Mr. Bostick described the project for the board. The project involves the demolition of major portions of the Universal Mall at 12 Mile Rd. and Dequindre in Warren in preparation for the \$24.8 million commercial redevelopment of the site. The 752,000 square foot mall was constructed in the mid-sixties on the 56 acre site at one of Warren's major intersections. Shifting consumer demands, the development of larger regional malls, and the successive loss of anchor tenants Crowley's, Montgomery Ward, and Mervyn's have led to a steady decline in the mall since the early 90's. Currently, the mall is only 48% occupied. The mall structure is functionally obsolete and the site is a facility. The property is the subject of a Brownfield Plan, duly approved by the city of Warren on May 22, 2007.

The requested tax capture will be used to reimburse the cost of demolition, lead and asbestos abatement and site preparation in connection with the proposed redevelopment. When completed the project will provide 600,000 square feet of leasable space divided among a newly constructed central building containing nine spaces ranging from 20,000 to 133,000 square feet with multiple smaller retail and commercial buildings around the perimeter of the site. Two existing structures will be rehabilitated. One is a 100,000 square foot anchor building and the other is a 48,000 square foot multiplex theatre. Total project investment is estimated at \$24,826,400. The project is estimated to create as many as 2,000 new positions within the community. The taxable value of the property is expected to double to \$13.1 million upon the completion of the improvements.

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

Warren is a core community and the state's third most populated city. The project will arrest the decline of one of Warren's commercial nodes and provide upgraded commercial and retail services to an estimated 6,000 households within a mile radius and more than 55,000 City of Warren households within a 6 mile radius. Planned restaurants will serve employees of the nearby GM Technical Center. The project will generate \$2.5 million of new taxes over the 8 year life of the Brownfield Plan and \$315,000 annually thereafter. The TIF is structured so that both state and local taxing jurisdictions will retain 20% of the tax increment revenues, a total of \$763,035 during the eight year tax capture period. Total school taxes collected during the capture period are estimated at \$768,583.

Of the existing 750,000 square feet, approximately 148,500 will be redeveloped with the remainder scheduled for demolition.

The City of Warren's unadjusted unemployment rate was 7.9% in April 2007. This compares to the statewide seasonally adjusted average of 7.1% in the same period.

The developer operates the current mall. He has made \$4.1 million dollars of capital investment in the property since 2001 and will provide \$3.9 million of equity for the redevelopment. A review of the developer's financial statements and credit facilities indicate that the project is financially viable.

Redevelopment and adaptive reuse of properties in the aging suburban ring is essential to stemming growth in Greenfield development, which is outpacing population growth by a factor of eight to one. The Universal Mall redevelopment will provide services to a relatively densely populated core community served by existing infrastructure.

The current site has been a significant commercial node for more than forty years occupying more than 50 acres. The current mall is more than 50% vacant. The project will create more than 500,000 square feet of retail space by rehabilitating existing buildings where possible and constructing a new building that will allow direct access to stores from the parking area in line with modern retailing trends and consumer preferences. The project will arrest the long-term decline in the property at modest public cost while stimulating the development of new businesses on its perimeter. The project will approximately double property tax revenues and result in significant private investment. Total investment will exceed state tax capture by more than 31 to 1. The Warren City Council approved the Brownfield Plan and local TIF by an 8 to 1 vote.

COST OF MEGA ELIGIBLE ACTIVITIES:

Demolition	\$ 970,000
Asbestos Abatement	115,000
Site Preparation	+ 200,000
Sub-Total	\$ 1,285,000
Contingency (15%)	192,750
Work Plan Preparation	5,000
MEGA Review Cost	+ 1,000
TOTAL	\$ 1,483,750

TAX CAPTURE BREAKDOWN:

There are 46.3364 mills available for capture, with school millage equaling 24 mills (51.8%) and local millage equaling 22.3364 mills (48.2%). The recommended tax capture breaks down as follows:

School tax capture (52%)	\$ 768,583
Local tax capture (48%)	\$ 715,167
TOTAL	\$ 1,483,750

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the amended eligible activities totaling \$1,483,750 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$768,583.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested local and state tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-56, authorizing the capture of local and school operating taxes for the City of Warren Brownfield Redevelopment Authority for the Universal Mall Properties redevelopment project, was adopted.

ACTION ITEM

*City of Grand Rapids Brownfield Redevelopment Authority
Grand Rapids, Michigan*

Peter Anastor introduced John Green with Founders RE, LLC, John Byl with Warner Norcross and Judd LLP and Eric Soucey from the City of Grand Rapids. Mr. Green described the project for the board. The City of Grand Rapids Brownfield Redevelopment Authority has submitted a work plan amendment request for the Moch International redevelopment project which was originally approved on June 13, 2006. The property was sold to a new developer and a new project is proposed for the site. The amendment requests \$406,825 in local and school tax capture. The total requested represents a decrease from the original approval capture total of \$737,690.

<u>COST OF MEGA ELIGIBLE ACTIVITIES:</u>	<u>Revised</u>	<u>Initial</u>
Demolition	\$ 10,000	\$ 50,000
Site Preparation	155,500	271,000
Infrastructure Improvements	<u>+ 180,000</u>	<u>+ 319,000</u>
Sub-total	\$ 345,500	\$ 640,600
Contingency (15%)	51,825	96,090
MEGA Work Plan Preparation	8,500	
MEGA Work Plan Review	<u>+ 1,000</u>	<u>+ 1,000</u>
Total	\$ 406,825	\$ 737,690

The proposed amended development will involve the renovation and expansion of the existing building at the site, including some interior demolition, various site preparation activities, due care activities and public infrastructure improvements.

The renovated and expanded building will be occupied by Founders Brewing Company, including an expanded production facility and tasting room. The developer will add an additional 10,000 sq. ft. to the existing 8,500 sq. ft. building with plans for an additional 10,000 sq. ft. in the future (not included in this proposal). The project is expected to add 3 new salaried positions (\$28,000 to \$60,000) and 13 new hourly positions (approximately \$9 per hour). Total capital investment will be approximately \$4 million.

The project is located within the City of Grand Rapids, a qualified local governmental unit and has been deemed a facility. The project is the subject of an amended Brownfield Plan, duly approved by the City of Grand Rapids on June 5, 2007.

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

The project will reuse a contaminated site, will renovate a vacant, blighted building and will expand the building to provide an expanded production facility for a downtown company. The project will preserve 21 downtown jobs and will create 16 new jobs as a result of the first building expansion and an unidentified number of additional new jobs resulting from the additional future expansion.

The City of Grand Rapids unadjusted unemployment rate was 7.8% in April 2007. This compares to the statewide seasonally adjusted average of 7.1% in April 2007.

Twenty-one jobs will be transferred to this site from another location in the City. However, the company will continue to pay rent at its existing location through September 2008 (lease termination). It is expected that a new tenant will be identified and occupy the space after the move is complete. The move from the prior location will not create a brownfield.

The developer is seeking an amendment to the original Brownfield Single Business Tax Credit approval and will reduce the SBT request from the \$1,000,000 approved to \$200,000 based on eligible investment of \$2 million.

There are 44.7683 mills available for capture with school millage equaling 23.8258 (53%) and local millage equaling 20.9425 (47%). The recommended tax capture breaks down as follows:

School Tax Capture (53%)	\$ 215,617
Local Tax Capture (47%)	<u>+ 191,208</u>
Total	\$ 406,825

Recommendation

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the amended eligible activities totaling \$406,825 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$215,617.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested amendment.

Jim Epolito asked if the facility would be used for production only. Mr. Byl stated that there will also be a tasting room.

Hearing no further discussion, a motion was made and supported and Resolution 2007-57, authorizing the amendment to Resolution 2006-35 for the City of Grand Rapids Brownfield Redevelopment Authority for the Founders RE, LLC & Blue Tiger, LLC redevelopment project, was adopted.

ACTION ITEM

Washtenaw County Brownfield Redevelopment Authority and City of Ann Arbor

Peter Anastor introduced Kevin McGraw and Scott Chappelle with Strathmore Development Company along with Kevin McDonald from the City of Ann Arbor and Jessica Eisenman from Washtenaw County Department of Planning and Development. Peter Anastor discussed the amendment request for the board. The Washtenaw County Brownfield Redevelopment Authority and the City of Ann Arbor have submitted an amendment letter requesting three amendments to this project. The request includes amendments that would:

- (a) Add an additional five years to complete the eligible activities;
- (b) Remove the requirement that reimbursement of interest is contingent on the issuance of a municipal bond by the City of Ann Arbor; and
- (c) Increase the maximum amount of school tax capture which can be used in proportion to local tax capture to reimburse interest costs due to changes in the assumption of the taxable value of the project.

The amendments are needed due to delays in the project caused by pre-leasing requirements, economic conditions and project valuation estimates completed by the City of Ann Arbor. The increase in the interest projection is the result of an extension in the repayment period due to conservative project valuation estimates completed by the City of Ann Arbor. The City wants to be assured of meeting bond obligations, therefore, they are providing a conservative estimate of the taxable value of the project which leads to a longer repayment period and in turn means a greater amount of interest cost because the principal activities may not be repaid as quickly as anticipated.

The developers are anticipating that the actual taxable value of the project will be higher than estimated, which will lead to more capture and a shorter repayment period with less interest. However, in order to move forward with financing, the banks need to be assured that interest reimbursement will be available if the taxable value is not higher than anticipated.

<u>COST OF MEGA ELIGIBLE ACTIVITIES:</u>	<u>Amended</u>	<u>Original</u>
Demolition	\$ 900,000	\$ 900,000
Site Preparation	4,200,000	4,200,000
Infrastructure	23,800,000	23,800,000
Project Management & Other Costs	<u>\$ 3,350,000</u>	<u>\$ 3,350,000</u>
Sub-Total	<u>\$ 32,250,000</u>	<u>\$ 32,250,000</u>
Contingency	3,750,000	3,750,000
Interest	<u>\$ 60,375,347</u>	<u>\$ 30,323,250</u>
TOTAL	\$ 96,375,347	\$ 66,323,250

TAX CAPTURE BREAKDOWN

The amended recommended tax capture breaks down as follows:

School Tax Capture (46%)	\$ 44,028,778
Local Tax Capture (54%)	<u>+ 52,346,569</u>
TOTAL	\$ 96,375,347

Mr. McGraw provided additional information about the project for the board. The Broadway Village project will revitalize a currently underutilized and environmentally contaminated 6.4-acre site to create a mixed-use neighborhood. The anchor tenant for the development will be a “healthplex” facility. Other uses included medical-office space, general office, multi-family residential and retail. The project will also include a multi-story parking structure.

Recommendation

The Michigan Economic Development Corporation recommends approval of the following amendments to this project:

- (a) An additional five (5) years to complete the Eligible activities for the project;
- (b) The removal of the requirement that the City of Ann Arbor issue municipal bonds in order to qualify for interest reimbursement;
- (c) An increase in the amount of school taxes which can be captured for interest reimbursement.

The MEDC also recommends the board maintains the level of local and school tax capture for the principal Eligible activities at a maximum of \$36,000,000, with school tax capture estimated at \$16,446,492.

Board Discussion

Faye Alexander Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested amendment.

Jackie Shinn asked why the amendment would need to be for an additional five instead of three years. Peter Anastor stated that due to the complexity of this project the additional five years was necessary.

Hearing no further discussion, a motion was made and supported, and Resolution 2007-58, authorizing the amendment to Resolution 2004-59 for Washtenaw County Brownfield Redevelopment Authority and City of Ann Arbor Broadway Village at Lower Town project, was adopted.

The meeting was adjourned at 11:20 a.m.

The next board meeting is scheduled to take place on July 17, 2007.