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 21, 2005, at 10:00 a.m.

Members Present
Cullen DuBose
Bo Garcia
David Hollister
Donald Jakeway
Mike Kapp (acting for and on behalf of Gloria Jeff, authorization attached)
Andrew Lockwood (acting for and on behalf of Jay Rising, authorization attached)
Sande MacLeod
Faye Nelson (by phone)

Others Present
Al Aceves, UHY Advisors
Jason Allen, Senator
Peter Anastor, MEDC
Amy Banninga, MEDC
Richard Barr, Dean & Fulkerson (for Lafarge)
Laurent Boullin, Faurecia
Jean Derenzy, Grand Traverse County
Dan Domenicucci, Ernst & Young
Jim Donaldson, MEDC
Dave Dzubinski, Lafarge, N.A.
Thomas Geglio, Smiths Aerospace LLC
William Hornberger, Severstal
Sue Jackson, The Right Place Inc.
Jeff Kaczmarek, MEDC
Carol Knobloch Johns, MEDC
Gary Latendresse, Severstal
Doug Luciani, Traverse City Area Chamber of Commerce
Susan McCormick, MEDC
Mark Morante, MEDC
Bonnie Ortis, City of Dearborn
Jim Paquet, Secretary to the Board
Matthew Rick, Attorney General's Office
Wayne Schmidt, Board Chair, Grand Traverse County
Peter Strom, Grand Traverse County
Greg Sundin, City of Alpena
Vern Taylor, MEDC
Bob Tess, Macomb County
Michael Tuomey, Severstal

Call to Order

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

Approval of Minutes from May 17, 2005

After review, a motion was made, supported and carried that board meeting minutes from the May 17, 2005 meeting, be adopted.

Public Comment

There was no public comment.

ACTION ITEM

Severstal North America, Inc.
3001 Miller Road
Dearborn, Michigan 48121

OAO Severstal is Russia's second largest steel producer and the eighteenth largest in the world. OAO also operates a mining division, an automotive division, and several other business interests around the world. Jim Donaldson introduced William Hornberger, Gary Latendresse, and Michael Tuomey, from Severstal North America. Bonnie Ortis from the City of Dearborn was also introduced.

Severstal North America, Inc. (SNA) acquired the assets of Rouge Industries in January 2004. The company manufactures flat-rolled steel products using an integrated steel production process, and currently employs 2,041 at its Dearborn facility.

SNA is considering major investments in its operations in Dearborn. The project would begin with the rehabilitation of a steel blast furnace, which will require an investment of at least $162 million. Subsequent improvements to other processes are anticipated to bring the total of new investment in the complex to more than $250 million. Capital expenditures for these renovations could begin this year with production from the rehabilitated blast furnace targeted for early 2008.

These improvements will result in the retention of up to 2,041 jobs at the site. These positions pay an average of $820 per week.

It is estimated that this facility will retain a total of 11,300 jobs in the state by the year 2027. We also estimate that the project would maintain total state government revenues through the year 2027, of $890 million due to the retention of this facility.

SNA performed a comprehensive analysis of potential facilities where this production could be performed. Lower utility costs and property taxes in Ohio or Indiana could save the company up to $20 million annually.

The City of Dearborn has approved 50 percent abatement of the company's new real and personal property taxes for 12 years. This abatement has an estimated value of $19 million. The State of Michigan will also offer 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. This abatement has an estimated value of $4.8 million.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for 20 years, for the retention of up to 2,041 jobs at the facility.

Board Discussion

Faye 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 2005-49, authorizing a MEGA retention credit for Severstal North America, Inc., was adopted.

ACTION ITEM

Detroit Diesel Corporation
13400 Outer Drive, West
Detroit, Michigan 48239

Detroit Diesel Corporation (DDC) is a subsidiary of DaimlerChrysler AG, the world's leading manufacturer of heavy-duty diesel truck engines. Within DaimlerChrysler AG, DDC is part of the NAFTA Truck business unit, within the Commercial Vehicle Division.

DDC is headquartered in Detroit, and is engaged in the design, manufacture, sale and service of heavy-duty diesel and alternative fuel engines and engine-related products.

DDC is considering investments that will transform it's approximately three million square foot Redford Township manufacturing facility into a "Manufacturing Mall" for DaimlerChrysler Commercial Vehicle Division business units in NAFTA. The project will require major investment into the 65 year-old facility for renovations and infrastructure improvements.

The company's initial investment plans are related to the production of two major heavy-duty engine platforms. To produce these engines in Redford, the company anticipates capital investment in excess of $275 million, resulting in the retention of up to 632 positions paying an average of $932 per week.

It is estimated that this facility will retain a total of 1,531 jobs in the state by the year 2017. We also estimate that the project would maintain total state government revenues through the year 2017, of $58.4 million due to the retention of this facility.

The company located a manufacturing facility in Winnsboro, South Carolina. This facility is well-suited to these projects, and wages are approximately 30 percent lower than in Michigan. Approximately two-thirds of the diesel engines produced by DDC are shipped to customers located in the Carolinas, thus offering an outbound logistics advantage. Costs of operations are approximately $15 million higher per year in Michigan.

Redford Township has approved reimbursement for up to $10.3 million of the company's demolition activities through local Brownfield Tax Increment Financing. The State of Michigan has also approved additional redevelopment assistance through a Brownfield Single Business Tax Credit worth up to $3 million.

Redford Township has also approved 50 percent abatement of the company's new personal property taxes for 12 years. The State of Michigan has also offered 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. These abatements have an estimated value of $18 million.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for 10 years for the retention of up to 632 jobs at the facility.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee has recommended approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2005-50, authorizing a MEGA retention credit for Detroit Diesel Corporation, was adopted.

ACTION ITEM

Smiths Aerospace, LLC
3290 Patterson Avenue, S.E.
Grand Rapids, Michigan 49512

Smiths Aerospace is a British-owned company that designs and produces integrated avionics equipment for the military and civilian aviation industries. The company's products fly on virtually every U.S. and U.K. military aircraft and on more than 30 types of civilian aircraft flown by hundreds of airlines worldwide. The Electronic Systems Division of the Aerospace group is headquartered in the Grand Rapids area (Cascade Township), where the company currently has 1,332 employees. Smiths Aerospace has been awarded two previous MEGAs, the first in February 1998, for the transfer of certain research and development functions to Michigan, and the most recent in May 2003, for a military avionics test laboratory.

Thomas Geglio was introduced from Smiths Aerospace. Mr. Geglio discussed the project for the board and introduced Sue Jackson with The Right Place Inc., who expressed community support for the project. The proposed project is for a financial shared service center for Smiths Electronic Systems. The new center will be used as a help desk for information systems and for the processing and reporting of financial information for North America. The company would lease 15,000 square feet in a newly constructed office building in Cascade Township. Smiths Aerospace would add 35 new jobs in the first year of the project and 65 new jobs over four years, paying an average weekly wage of $830. In addition, the company would transfer 20 existing workers from their current Grand Rapids operations.

Capital investment for the project would total $2.4 million, including $1.7 million for capitalized lease costs and leasehold improvements and $750,000 for new computers and office furniture. Operations at the new facility would begin in August of 2005.

It is estimated that this facility will generate a total of 76 jobs in the state by the year 2011. Total state government revenues through the year 2011, would be increased by $646,000 due to the presence of this facility.

Smiths Aerospace is considering both Cascade Township and Pinellas County, Florida for the Financial Service Center. The Florida location is attractive to the company because a salary review comparison between facilities in Pinellas County and Grand Rapids indicated higher wages in Michigan. This differential was estimated to be about $130,000 per year when the facility was fully staffed. In addition, the Michigan location is at a disadvantage due to the structure of the Single Business Tax.

Cascade Township has proposed a 50 percent abatement of the company's new personal property taxes for eight years. The estimated value of this local abatement is $34,000. Cascade Township is expected to approve the abatement by July 27, 2005.

Recommendation

The Michigan Economic Development Corporation recommends a six-year high-technology employment credit of 100 percent for three years and 50 percent for three years, for up to 65 net new employees.

Board Discussion

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

Hearing no further discussion, a motion was made and supported and Resolution 2005-51, authorizing a high-tech MEGA tax credit for Smiths Aerospace, LLC, was adopted.

ACTION ITEM

Lafarge Midwest, Inc.
1435 Ford Avenue
Alpena, Michigan 49707

Jim Donaldson began the presentation by introducing Dave Dzubinski with Lafarge Midwest, and Richard Barr, an attorney representing the company, along with Greg Sundin from the City of Alpena. Mr. Dzubinski explained that Lafarge began operating in France in 1833 as an industrial lime producer. Since that time the company has become the world leader in the sale of building materials such as cement, aggregates, concrete and gypsum. Lafarge employs 77,000 worldwide at locations in 75 countries.

Lafarge is considering a major upgrade of its existing Alpena facility. The company could invest up to $75 million to construct new raw material processing and conveyor systems, and upgrade finishing operations. The company anticipates that it will increase production by 10 percent annually, while experiencing reductions in the emissions per ton produced, due to the new technology to be employed.

The company needs to prove the raw materials technology before upgrading kilns and constructing a new finishing mill. Lafarge anticipates investing up to $26 million to upgrade raw materials processing, including $20.9 million for pollution control equipment. If these upgrades increase production as anticipated, it will be necessary to construct new, higher capacity finishing operations at a cost of approximately $49 million.

This project will not increase the employment at the Alpena site, but will keep the facility competitive and will allow the company to maintain its existing workforce of approximately 230 employees.

The public will benefit from the retention of existing employees, construction jobs directly created by the project, and increased property tax revenue due to the new investment.

For March 2005, Alpena County's unemployment rate was 9.5%, compared to the statewide average of 6.9%.

The company anticipates financing the project through cash flow from operations and normal financing arrangements.

The City of Alpena has approved 50 percent property tax abatement of new real and personal property taxes for nine years.

COST OF MEGA ELIGIBLE ACTIVITIES:		
Demolition	$1,500,000	
Work Plan Preparation	2,000	
Work Plan Review	1,000	
TOTAL	$1,503,000	

TAX CAPTURE BREAKDOWN:		
State School Property Taxes	$751,613	(50% of MEGA Activities)
Local Property Taxes	751,387	(50% of MEGA Activities)
TOTAL	$1,503,000	

Additional local revenues, if available, will be used to reimburse the company for interest expenses and to fund the local revolving loan fund.

COST OF ELIGIBLE INVESTMENTS:	
Site Improvements	$100,000
New Construction	5,470,000
Building Improvements	650,000
Machinery & Equipment	68,780,000
TOTAL	$75,000,000

The property is contaminated and qualifies as a facility. The property is located within the boundaries of the City of Alpena, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on May 11, 2005.

Because the company needs to prove the new raw materials processing methods before the investment in new finishing operations can be justified, the MEDC recommends that two potential completion points for the project be approved:

- If the new technology does not increase production to a level that requires a new finishing mill, we recommend that the company be granted a credit on the raw materials portion of the project. A total of $26 million will be invested in this portion of the project, of which $20.9 million is tax exempt, pollution control equipment. If the project is completed at this point, we recommend a seven percent credit on up to $5.1 million of taxable investment, not to exceed a $357,000 credit.

- If the company constructs both the raw materials processing and finishing operations, we recommend a seven percent credit on up to $5.1 million of taxable investment, or $357,000 credit, plus a 10 percent credit on the $49 million investment in finishing operations, for a total credit not to exceed $5,257,000.

The company may claim the credit at one of the completion points described above. Once the credit has been claimed, no further credits are available for the project.

Recommendation

The MEDC recommends approval of up to $1,503,000 for the MEGA eligible activities described above. School tax capture is not to exceed $751,613.

Board Discussion

Faye Nelson gave the report from the Executive Committee. The Executive Committee agrees to the requested tax credit, as well as the capture of school operating taxes, for Lafarge Midwest, Inc.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-52, authorizing a Brownfield Redevelopment credit for Lafarge Midwest, Inc., was adopted. Another motion was made and supported, and Resolution 2005-53, approving the capture of school operating taxes for the City of Alpena for the Lafarge Midwest project, was adopted.

ACTION ITEM

Faurecia Interior Systems, USA, Inc.
2050 Auburn Road
Auburn Hills, Michigan 48326

In March of 2005, the MEGA Board approved a tax credit for Faurecia Interior Systems, USA, Inc. for leasing and equipping a new facility to manufacture door panels and other interior components for the automobile industry in Sterling Heights, Macomb County. The Company executed a MEGA Tax Credit Agreement on May 12, 2005.

The Company was unable to come to an agreement with the developer of the building it originally intended to occupy and has located an existing building in Fraser that is suitable for its needs. Laurent Boullin from Faurecia, was on hand to discuss the move and the requested resolution, along with The Honorable Marilyn Lane, Mayor of the City of Fraser. Mayor Lane stated that a meeting is scheduled for June 28th to secure the City's approval and support for the move.

The local assistance provided by Sterling Heights, and approved by the MEGA, for the project, was an abatement of real and personal property taxes related to the project for 12 years. The abatement was valued at $4.2 million.

Faurecia is requesting an amendment to its credit award to permit the location of the project at the new site, and to approve alternate local assistance. Fraser is proposing a 12-year abatement of personal property taxes related to the project, valued at $2.9 million.

Recommendation

Staff is recommending approval of the request to amend the Faurecia Interior Systems, USA, Inc., tax credit.

Board Discussion

This request was reviewed by the Executive Committee. On behalf of the committee, Faye Nelson has recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-54, authorizing an amendment of Resolution 2005-16 to facilitate a change in location for Faurecia Interior Systems USA, Inc., was adopted.

ACTION ITEM

Grand Traverse County
Brownfield Redevelopment Authority and the
City of Traverse City, Michigan

The subject work plan was approved on December 17, 2002. The Brownfield Redevelopment Authority (BRA) is seeking approval of its amended work plan to; a) add two additional parcels to the Tax Increment Financing plan for the project, b) demolish a structure situated on one of the two new parcels and c) designate a new location for the previously approved parking deck. A delegation from Traverse City and from Grand Traverse County, was on hand to discuss the project. Jeff Kaczmarek introduced Jean Derenzy and Peter Strom from the Grand Traverse County BRA, Wayne Schmidt from Grand Traverse County, Doug Luciani from the Traverse City Chamber of Commerce, and Mike Uzelac with Federated Properties.

The project site is contaminated and the local BRA and the City have requested approval by MDEQ for site remediation and due care activities. The cost of these activities is projected to be $1,985,184. The City's DDA is contributing more than $11 million for the parking deck and other eligible activity costs directly associated with the project. The brownfield plan for the project has been amended to allow two SBT Brownfield Redevelopment Credits to be requested for the first phase of the project as well.

The cost of eligible activities totals $12,353,891. The tax capture breakdown is as follows:

$10,830,657 School Tax Capture (87.67%)
$ 1,523,234 Local Tax Capture (12.33%)
$12,353,891

AMENDED PROJECT COSTS

- Demolition — $ 1,061,442 (increased by $172,500)
- Lead & Asbestos Removal — $ 164,154
- Site Preparation — $ 804,600
- Infrastructure Improvements
  - * Parking Deck — $ 5, 490,000
  - * Pedestrian Underpass — $ 1, 500,000
  - * Riverwalk (w/Bridge) — $ 500,000
  - * Streetscape — $ 475,250
  - * Utilities — $ 100,000
  - * Engineering — $ 645,220
- Admin. Cost (work plan/MEGA) — $ 25,000
- Contingency — $ 1,588,225

$12,353,891

Recommendation

The MEDC recommends approval of the T.C. Auto/Traverse Place amended Work Plan, to add two additional parcels to the project and change the location of the parking deck. The recommendation includes bond interest expense proportionally allocated to the amended brownfield TIF plan and the Downtown Development Authority (DDA) TIF plan. The MEDC further recommends that school tax capture not exceed $10,830,656 based on total eligible activities costs of $12,353,891.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommends approval of the request for tax capture.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-55, approving the capture of additional school operating taxes for the City of Traverse City and Grand Traverse County BRA, and to add certain parcels and make changes to the work plan as described in the resolution for the Traverse City Place project, was adopted.

ACTION ITEM

City of Grand Rapids BRA
The Right Place, Inc.
111 Pearl Street NW
Grand Rapids, Michigan 49503

The City of Grand Rapids Brownfield Redevelopment Authority has submitted a work plan request for the approval of $1,209,072 in local and school tax capture.

Jeff Kaczmarek discussed the project and the eligible expenses. Vern Taylor explained the increase in expenses that has occurred and the need for an amendment to the work plan. This request is for approval to increase the tax capture to include additional eligible public infrastructure expenses. The tax capture request will increase from $49,845 to $246,997.

The project involves the rehabilitation of a vacant, functionally obsolete four-story building formerly used as a high school and middle school in downtown Grand Rapids.

Renovation will include the demolition, lead and asbestos abatement, replacement of outdated infrastructure including HVAC, electrical and fire protection, replacement of the roof and construction of new interior walls, to result in approximately 130 condominium units and possible limited commercial use.

The project is located at the corner of Turner Avenue and Third Street, in a residential area intermixed with commercial and retail operations. The project will restore this vacant, obsolete building to usefulness and will significantly increase the city's tax base. It will also provide affordable housing in the downtown Grand Rapids area, close to office buildings and local businesses.

The developer, Jon Rooks, has completed several redevelopment projects in downtown Grand Rapids, the most recent project being the Peoples Bank Building in the Renaissance Zone.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been met.

The project will result in the renovation and reuse of a vacant, functionally obsolete building which would likely otherwise have been demolished. It will ultimately provide approximately 130 affordable condominium units in the downtown Grand Rapids area. The project will improve the aesthetic appeal of both the building and the neighborhood.

According to the Department of Labor and Economic Growth, the City of Grand Rapids' unadjusted unemployment rate was 7.8% in April, 2004. This compares to the May statewide adjusted unemployment rate of 6.6%.

The developer has received financing approval for this project from Macatawa Bank. Financial information was provided as part of the work plan.

The project is using state and local TIF, Renaissance Zone and Neighborhood Enterprise Zone benefits.

There are 26.7355 mills available for capture, with school millage equaling 10.5333 mills (39%) and local millage equaling 16.20 mills (61%). The recommended tax capture breaks down as follows:

School tax capture	$ 471,538 (39%)	
Local tax capture	$ 737,534 (61%)	
	$ 1,209,072	

PROJECT COSTS

Public Infrastructure	$ 246,997
Demolition	$ 420,000
Asbestos/Lead Abatement	$ 375,000
Work Plan Preparation	$ 8,500
MEGA Review Cost	$ 1,000
Contingency (15%)	$ 157,575
Total	$1,209,072

The property has been deemed functionally obsolete by the City of Grand Rapids' Level III assessor. The project is the subject of a brownfield plan approved by the City of Grand Rapids on February 15, 2005.

Recommendation

The Michigan Economic Development Corporation recommends approval of the school tax capture not to exceed $471,538 based on eligible activities totaling $1,209,072, as described above.

Board Discussion

Faye Nelson gave the Executive Committee report. On behalf of the Executive Committee, Ms. Nelson recommended support of the requested amendment to tax capture amount.

Hearing no further discussion, a motion was made and supported and Resolution 2005-56, authorizing the additional capture of school operating taxes for the City of Grand Rapids for the Parkland Investments redevelopment, was adopted.

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

The next meeting of the MEGA board is scheduled for Monday, August 1, 2005. This is a change from the meeting that was scheduled to convene on Tuesday, July 19, 2005.