

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at Wayne State University, 441 Ferry Mall, Detroit, on July 15, 2003 at 11:30 a.m.

Members Present

Bo Garcia
David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)
Faye Nelson
Jay Rising
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Doug Alexander, Executive Dir., Economic Development Alliance of St. Clair Co.
Karen Ammarman, Acting Secretary to the MEGA Board
Peter Anastor, MEDC
Barry Berler, President & CEO, Dispomedic
William Bird, Mitsuba
Kathy Blake, Sr. Vice President, Business Development, MEDC
Bren Buckley, Burton-Katzman Development
Dennis Engstrom, Burton-Katzman Development
David Jeup, KPMG, LLP
Carol Knobloch Johns, MEDC
Toshifumi Kohno, President & CEO, Mitsuba
Lori LaPerriere, MEDC
Penny Launstein, MEDC
Mark Morante, MEDC
Rich Morrison, City of Brighton
Tom Schimpf, Assistant Attorney General
David Stevens, Mitsuba
Vern Taylor, MEDC

Call to Order

David Hollister called the meeting to order at 11:45 a.m.

Approval of Minutes from June 17, 2003

A motion was made, supported and carried that the minutes from the June 17, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*City of Lansing Brownfield Redevelopment Authority
309 North Washington Square
Lansing, Michigan 48913*

Mark Morante began the presentation by introducing Bren Buckley and Dennis Engstrom from Burton-Katzman Development. Ms. Buckley outlined the proposed redevelopment, which will result in the construction of approximately 180 new housing units, including single-family detached and single-family attached homes. Located along East Saginaw Street immediately west of the Lansing Catholic Central school, the contaminated site has historically been the site of the Boys Training School juvenile detention center. The property has been idle for nearly 30 years. The City of Lansing acquired the property in 2001.

Lansing and the developer envision this \$26 million project providing "step-up" housing for Lansing residents. The lack of "step up" housing has long been recognized by city officials as one of the leading causes of urban flight from the city. The project is expected to allow people with growing families and incomes to find a larger, modern home within the city.

Not only is the site contaminated, but also the site has been a depository for various rubble and fill since the late 1970's. Concrete rubble, asphalt debris, and fill soil piles are prevalent on the property. In order to develop the property, the improper fill material must be removed. The infrastructure serving this site is inadequate. The proposal is seeking tax increment financing approval for infrastructure activities, including sanitary sewer extensions (under Saginaw Street) and storm sewer connections (from site to Marshall Street). The interior infrastructure (street, water, sewer) will be funded by the developer.

PROJECT COSTS

Infrastructure—Sewer, Storm Sewer, Street	\$ 346,500
Site Preparation—Fill removal	\$ 910,000
Interest (6%)	<u>\$ 633,737</u>
Total	\$1,890,237

The property is contaminated and qualifies as a facility. The property is located within the boundaries of the City of Lansing, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on June 9, 2003.

The cost of eligible activities, including interest, totals \$1,890,237. The tax breakdown is as follows:

\$ 283,536 State School Property Taxes (15%)
\$1,606,701 Local Property Taxes (85%)

\$1,890,237

This project will consist of entirely homestead properties and therefore will only be capturing the 6 mill State Education Tax levy in addition to all local millage.

Jackie Shinn asked for an explanation of the "step-up" housing concept. Ms. Buckley explained that, in this area and price range, there are smaller, lower-priced starter homes available. However, when the size and income of families begin to increase, the families begin to seek affordable, larger housing. The search generally moves these families away from the city, as there is a shortage of these next step-up houses in the area.

David Hollister concurred with this explanation.

To assist the city with its land assembly activities, the MEDC awarded a \$775,000 Core Communities Fund loan. The loan has since been repaid in full. The city also used a U.S. Environmental Protection Agency grant of \$22,489 to conduct preliminary environmental assessment work.

The project has also been submitted to the Michigan Department of Environmental Quality, seeking tax increment financing for environmental activities totaling \$2,005,278.

Burton Katzman has indicated that it will be applying to the Michigan Department of Treasury for a Brownfield Single Business Tax Credit of up to \$1 million.

Recommendation

The Michigan Economic Development Corporation recommends approval in the amount of \$1,890,237 for the infrastructure and site preparation activities described above.

Board Discussion

Faye Nelson gave the Executive Committee report. On behalf of the MEGA Executive Committee, Ms. Nelson recommended approval by the MEGA Board.

Jay Rising asked whether the amount requested includes the interest expense. He also questioned the wording in the resolution, which states "Interest expense will be subject to approval by MEGA staff." Mark Morante explained that, since actual expenses will be used to calculate the amount of the final approval, the \$1,890,237 includes interest at the maximum rate that staff would approve. Mark went on to explain that the 6% cited in the memo seemed high to staff and the final rate used would be either the actual cost or prime.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-19, approving a capture of taxes levied for school operating purposes, for the City of Lansing Brownfield Redevelopment Authority's East Village Housing Project, was adopted.

ACTION ITEM

*Dispomedic 2000, Ltd.
1291 Mettler Road
Huntingdon Valley, Pennsylvania 19006*

Kathy Blake introduced Barry Berler, President and CEO of Dispomedic 2000, Ltd. Mr. Berler described the work that this new company is doing and demonstrated some of the product line. Dispomedic 2000, Ltd. is a new company created to manufacture high quality safety syringe products. The company was incorporated in Michigan on July 22, 2002 as a North American manufacturer of these products. Currently, the company has no employees in Michigan, as the company is owned and operated in Israel.

Dispomedic plans to purchase a 60,000 square foot speculative building in Port Huron, where they would manufacture a family of safety syringe products. Mr. Doug Alexander from the Economic Development Alliance of St. Clair County, was introduced. Mr. Alexander discussed the community support for this project. The project is expected to generate 200 new jobs by 2008, paying an average weekly wage of \$562. Dispomedic is also considering locations in Louisiana, including Jefferson Parish near New Orleans.

Dispomedic is required to obtain FDA approval on its products before full production can begin in Port Huron. It is anticipated that initial test runs will be completed in 2005, and approval granted by the FDA in that same year. If this occurs, full production will begin in 2006.

Total capital investment for the project would be approximately \$9 million, including \$4 million for building costs and renovations and \$5 million for new machinery and equipment. Construction on the building renovations would begin in the fall, with renovations and clean room construction completed by December 2004.

It is estimated that this facility will generate a total of 415 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$13.4 million due to the presence of this facility.

As part of the company's decision-making process, Dispomedic compared the costs of the project in Port Huron to a location in Louisiana. After a comprehensive analysis, the major cost gaps identified by the company were lower wages and benefits and tax credits. The company estimates that wages and benefits will be nearly \$1 million lower per year in Louisiana. The company was also offered an abatement of 100 percent of personal property tax for ten years, and a Quality Jobs Program tax credit, estimated at nearly \$300,000 per year.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for the 200 new employees, or up to \$100,000. In

addition, the state of Michigan will provide an abatement of the State Education Tax to match the terms and length of the local tax abatements. The estimated value of the State Education Tax abatement is \$145,300.

The City of Port Huron has agreed to pay for any design and engineering costs for facility build-outs required by the company. The estimated value of this incentive is \$50,000. The City of Port Huron has also proposed a 50 percent abatement of the company's new real property taxes for a period of 12 years and a 12-year abatement of the company's new personal property taxes, of which the initial four years will be at 100 percent and the remaining eight years at 50 percent. The estimated value of the local abatement is \$1,190,300. Final tax abatement approval is expected by October. The Port Huron City Council is scheduled to approve the building purchase agreement on July 15, 2003.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 200 net new employees.

Board Discussion

Faye Nelson gave the Executive Committee report. She indicated that the Executive Committee was impressed with the product and the project. She also noted the considerable local support for this project. On behalf of the Executive Committee, Ms. Nelson recommended board approval.

Tom Schimpf discussed the need for the city to approve the abatement of property taxes in order for the credit to begin. David Hollister asked when the city plans to take action. Mr. Alexander explained that a meeting was scheduled for that evening to act on the purchase agreement, with the closing scheduled to take place within 100 days. The City Council will adopt the tax abatement at its next meeting following the closing on the building.

Jay Rising asked whether there was anything that the city would do to delay the project, given that the company only has 60 days to executive an agreement with the MEGA. Mr. Alexander said "no", stating that the city plans to approve the purchase agreement later today and close on the property within 100 days. Upon ownership of the property, Dispomedic will apply for 328 and 198 tax abatements. Mr. Morante explained that the tax abatements would not need to be in place in order for the company to execute its MEGA Agreement, but would have to be in place in order for the company to file its Statement of Eligibility which was a couple of years down the road, thus allowing for a little slippage on the city's timeline without damaging the company's chances of meeting eligibility.

Discussion revolving around the tax abatement continued. The Agreement between Dispomedic 2000, Ltd. and the MEGA should stipulate, as one of the eligibility criteria,

that the real and personal property tax abatements from the City of Port Huron, mentioned above, be in place.

Mayor Hollister asked whether financing was verified. Mark Morante responded, saying "Yes, a letter was received from a reputable firm that it would make its best efforts for an IPO with the intent of raising \$3 million".

Mr. Schimpf added that it was his understanding that the \$3 million was necessary in order for the bank to finance the deal.

Hearing no further discussion, Resolution 2003-20, approving a MEGA tax credit for Dispomedic 2000, Ltd., was adopted.

ACTION ITEM

*American Mitsuba Corporation
2945 Three Leaves Drive
Mt. Pleasant, Michigan 48858*

Kathy Blake introduced David Stevens, Vice President of Administration at Mitsuba, who distributed information and showed examples of some of the products manufactured at American Mitsuba Corporation. American Mitsuba Corporation designs and tests automobile motor assemblies, windshield wiper systems, power window regulator motors, starters and cooling fans. American Mitsuba Corporation has a broad customer base, serving multiple original equipment manufacturers from a sister manufacturing operation in Mt. Pleasant. Currently, Mitsuba affiliated companies employ 352 associates in Michigan.

The proposed project will house the Testing and Research Center for Mitsuba Corporation's North American operations as well as the North American Headquarters. The facility will design and test small motor products for their automotive customers, including power wipers and window washer systems, power window devices, door closing devices and fans. The company would lease 30,000 square feet in a new built-to-suit facility in Brighton. American Mitsuba Corporation would add 10 new jobs in the first year of the project and 85 new jobs over five years, paying an average weekly wage of \$1,095. Additional job creation may be possible at this facility, depending on the demand for new products and the level of headquarter operations.

Capital investment for the project would total \$10.7 million, including \$5.7 million for capitalized lease costs and \$5 million for new machinery and test equipment. Construction of the facility would be completed by July 2004, with operations beginning in August 2004.

It is estimates that this facility will generate a total of 90 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$1.8 million due to the presence of this facility.

American Mitsuba Corporation has the option of locating this expansion next to its sister facility in Monroeville, Indiana, where it owns 25 acres of land. The Indiana location is attractive to the company because of existing land and lower wage costs. A quantitative analysis completed by the company, estimates a wage and benefits savings of nearly \$400,000 per year once the facility is fully staffed. In addition, the company would face higher property taxes in Michigan.

The City of Brighton has proposed a 50 percent abatement of the company's new real property for 10 years and the company's new personal property for eight years. The estimated value of this local abatement is \$918,200. The final abatement is expected to be approved on July 17, 2003.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for 10 years for up to 85 net new employees.

Board Discussion

Faye Nelson gave the report of the Executive Committee, acknowledging the support of the City of Brighton, and expressed the Committee's support for this project.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-21, authorizing a MEGA tax credit for American Mitsuba Corporation, was adopted.

The meeting was adjourned at 12:25 p.m.

The next meeting of the MEGA board is scheduled for Tuesday, August 19, 2003.