

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on July 9, 2002 at 10:00 a.m.

Members Present

Beth Chappell
Craig DeNooyer
Sarah Deson-Fried
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)
Doug Roberts
Doug Rothwell
Tim Ward

Members Absent

Duane Berger

Others Present

Karen Ammarman, MEGA, MEDC
Peter Anastor, MEGA, MEDC
Kathy Blake, Senior V.P., Business Development, MEDC
Greg Burkart, Ernst & Young, LLP
Rick Chapla, The Right Place Program
James C. Czanko, Pioneer Construction
Linda Dankoff, MEGA, MEDC
Jim Donaldson, Michigan Business Dev., MEDC
Dan Foster, Ernst & Young, LLP
Marv Ganz, Northville Township Economic Development
Kathy Kleckner, MEDC
Carol Knobloch Johns, MEDC
Paul Krepps, MEDC
Peggy McNichol, Ernst & Young, LLP
Mark Morante, Vice President, Bus. Finance & Adv., MEDC
John Ortisi, Price Waterhouse Coopers
Mary Petrovich, CEO, Axle Tech International
Mike Pohnl, MEDC
Greg Ripley, Price Waterhouse Coopers
Doug Smith, City of Troy
Tom Schimpf, Attorney General's office
Martina Schlagwein, MEDC
Frank Sgambati, ZF Technologies
Vern Taylor, Brownfield, MEDC
George J. Telenko, ZF Lemforder Corp.
Duane Thelen, Brownfield, MEDC
Harry Whalen, V.P. Global Business Dev., MEDC

Call to Order

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

Approval of Minutes from June 12, 2002

It was moved, supported and carried that the minutes from the June 12, 2002 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*ZF Technologies, LLC
7310 Turfway Road, Suite 450
Florence, Kentucky 41042*

ZF Friedrichshafen AG (ZF), the ultimate corporate parent of ZF Technologies LLC, was started in 1915 and is the world's largest independent automotive supplier for driveline and chassis technology. The ZF Group is now the third largest automotive supplier in Germany and fifteenth in the world.

ZF Technologies is headquartered in Kentucky and currently operates a research and development facility in Northville Township, Michigan employing 129, and a facility in Auburn Hills employing 140. ZF Technologies will provide research and development services to design, develop and test new transmission, steering system, axle and chassis components and systems for passenger cars, commercial vehicles and off-road machinery.

ZF Technologies needs to consolidate and expand its research and development capabilities to meet customer demand and stay ahead of its competition in new product development. The company proposes to increase employment at its current facility in Northville Township and invest \$16.4 million in a new research and development facility and \$11.4 million in new machinery and equipment.

The company anticipates hiring up to 230 new employees within the first five years at an average weekly wage of \$1,325 and with a benefit package estimated at 20 percent of wages. Construction at the new facility would commence in July 2002 and be complete by January 1, 2004.

It is estimated that this facility will generate a total of 717 jobs in the state by the year 2016. Total state government revenues through the year 2016 would be increased by \$55.7 million due to the presence of this facility.

ZF Technologies recently constructed a manufacturing facility in Tuscaloosa, Alabama. As part of the incentive for that project, the State of Alabama provided the company with 30 acres of free land. This free land, coupled with average wages that are 10-15% lower in Alabama for engineers and a virtually tax-free environment, is forcing the company to look at bottom line cost advantages of an expansion in Alabama.

ZF Technologies would prefer to expand in Northville Township due to the proliferation of engineering talent in Michigan and the efficiency of a single research and development operation. However, a MEGA and other incentives are needed to sell Michigan to the parent company in Germany.

Due to the type and level of investments being proposed, the company may be eligible for an investment tax credit of up to \$184,242. The State of Michigan would provide a state education tax abatement of six mills to match the length of time of the local property tax abatement. The value of this abatement is estimated at \$381,923. The Michigan Economic Development Corporation would also provide the company with an Economic Development Job Training grant of \$300 for each of 230 new employees, for a total value of up to \$69,000.

It is expected that on July 18, 2002, Northville Township will adopt a 50 percent abatement of the company's new real and personal property for a period of six years. The estimated total value of the local abatement is \$1,599,459.

Recommendation

The Michigan Economic Development Corporation recommends an employment tax credit of 90 percent for 14 years for up to 230 net new employees.

Board Discussion

Tim Ward gave the report of the Executive Committee. The Executive Committee recommends awarding the requested MEGA tax credit, contingent upon the anticipated support of the local community.

A question was raised regarding the support of Northville Township. The briefing memo stated that the Northville Township Board would meet July 9th to vote on the tax abatement. However, Northville Township will actually meet on July 18, 2002. Marv Ganz, Chairman for Northville Township Economic Development, explained that the Northville Township Executive Committee had met and it was unanimously recommending approval of the 50 percent tax abatement to the Township Board.

Craig DeNooyer questioned the necessity for an emergency meeting and asked why, on a project of this size, the community is having to rush to make a decision on the support it would offer. Mr. Ganz stated that the Economic Development Corporation for the Township of Northville took action as soon as it became aware of the project. The earliest date the Board could meet, allowing for time for public hearings, was July 18th.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-24 awarding a MEGA tax credit to ZF Technologies, LLC was adopted.

ACTION ITEM

*Axle Tech LLC
2135 W. Maple Road
Troy, Michigan 48084*

Jim Donaldson began with a brief description of the project and introduced Mary Petrovich, CEO, who described the proposed expansion project.

Axle Tech LLC is a new company consisting of the divested assets of an unrelated corporation. The LLC is a wholly owned subsidiary of Axle Tech International, Inc. and researches and designs axles for use in large, heavy-duty off-road vehicles. After the acquisition, Axle Tech LLC will have 34 employees in Michigan.

The project consists of an expansion of the company's research and development capabilities in Troy. Capital expenditures are expected to reach \$5 million over a five-year period, which includes \$2.3 million in lease costs and \$2.7 million in new equipment purchases.

Average weekly wages would be \$1,538, with benefits totaling roughly 25% of wages. Axle Tech LLC would lease an existing facility in Troy. Operations are expected to start by the end of December, 2002. The company anticipates creating up to 50 new jobs at the facility within five years.

It is estimated that this facility will generate a total of 137 jobs in the state by the year 2008. Total state government revenues through the year 2008 would be increased by \$2.36 million due to the presence of this facility.

Locating in Michigan would present a significant logistical hurdle for the company. The owner's major US-based facility is located in Wisconsin. Consolidating the proposed facility with the Wisconsin facility would result in numerous business advantages including a reduction in administrative personnel and costs and a decrease in administrative travel time and costs. Also, because the company manufactures axles for heavy-duty off-road equipment, the entire customer base for this company is outside of Michigan. A Michigan location will present a disadvantage to the company in terms of customer relations and cost of sales.

The company is purchasing the existing business of an entity that has been in Michigan for a number of years. The 34 people coming to Axle Tech from this former facility are all skilled engineers who possess the talents required by the new company and would be difficult to replace. Axle Tech, therefore, has indicated that if the MEGA can offset some of the Wisconsin advantages, it would prefer to stay in Michigan.

The Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$300 for each of up to 50 new employees, as well as the 34 existing employees, for a total of \$25,200. The City of Troy Downtown Development Authority passed a resolution at its June 19, 2002 meeting, recommending a \$50,000 grant to the Company for improvements to the facility the company will occupy. The City Council will take up the Downtown Development Authority's recommendation at its August 5th meeting.

Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for six years and a business activity credit of 100 percent for six years for up to 50 net new jobs.

Board Discussion

Tim Ward gave the Executive Committee report. Tim noted that the Executive Committee's recommendation was contingent upon the receipt of a 25% R & D letter from a CPA and the grant from the City of Troy. He was assured that a letter had been received and reviewed and that the resolution the MEGA Board would be voting on made the credit contingent on the grant from the City of Troy.

Mr. DeNooyer inquired about the length of the lease. Ms. Petrovich said that the company had not yet signed a lease, but that it was looking to sign a seven-year lease.

Elizabeth Chappell asked about the city's support of this project. Doug Smith from the City of Troy was present and addressed her question. He said the City Council was supportive and that a public hearing to adopt the development plan had been set. August 5th was the earliest the City Council could actually approve the \$50,000 grant.

Hearing no further discussion it was moved and supported and Resolution 2002-25 awarding MEGA tax credits for Axle Tech LLC was adopted.

ACTION ITEM

*American Seating Park, LLC
550 Kirtland Street, SW
Grand Rapids, Michigan 49507*

Jim Donaldson introduced James Czanko from Pioneer Construction. Mr. Czanko explained the project and the development company's past success in developing and re-claiming blighted and unused properties and buildings.

American Seating Park, LLC is a new company formed by Pioneer General Contractors, Inc. and American Seating Company to redevelop three former American Seating

buildings into new residential and commercial/retail space. The project will allow American Seating to utilize a portion of the redevelopment for a new corporate headquarters in the City of Grand Rapids.

The project will include 230,000 square feet of residential space comprising 100-110 market-rate apartment units and 100,000 square feet of commercial/retail space, of which a portion will be used for the new American Seating headquarters. In addition to the redevelopment of the buildings, extensive site improvements will be made including a courtyard containing an outdoor amphitheater, an outdoor dining and seating area, a gazebo, and decorative fountain. Renovations will also take place on the surface parking area adjacent to the buildings. The project has a completion date of December 2003 with an estimated project cost of \$28 million.

The existing facility consists of two "L" shaped buildings that were constructed in 1923 and 1927. With manufacturing changing to a linear process, the vertical, four-story design of these buildings makes them functionally obsolete for their intended manufacturing purpose. The facilities have limited ceiling heights, aging electrical, plumbing, sewer and other mechanical systems. The facilities have been mostly vacant since 1999.

This project will bring \$28 million in private investment to an area targeted by the City of Grand Rapids for redevelopment. Upon completion, the project will provide the city with a vibrant, active facility in what is now vacant and obsolete property. It will also be a catalyst for further redevelopment in the area and will lead to 75-135 additional jobs once the project is completed.

Elizabeth Chappell asked the developer about the current condition of the buildings. Mr. Czanko described their condition as "worse than bad". He explained that both of the buildings involved had been abandoned and that, even though they were located in a Renaissance Zone, American Seating had built a new factory across the street because the buildings were so outdated.

Mr. Czanko also mentioned that he canvassed the area near the site and all local residents and business owners in the area were excited about the project. An anticipated 120 indirect jobs will be created during restoration and construction.

The eligible investment to be undertaken by American Seating Park, LLC includes:

Demolition of Buildings	\$ 800,000
Site Improvements	1,000,000
Building Renovations and Improvements	22,350,000
New Machinery, Equipment and Fixtures	<u>3,850,000</u>
Project Total	\$ 28,000,000

As part of the redevelopment plan American Seating Park, LLC plans to apply for State Historic Tax Credits. The company estimates that the value of these credits could total \$1 million. The project is also located in a City of Grand Rapids Renaissance Zone. The Renaissance Zone is in effect until 2011.

The property is functionally obsolete and is located within the boundaries of the City of Grand Rapids, a qualified local governmental unit. The project is the subject of a brownfield plan approved June 25, 2002, and American Seating Park, LLC. is a qualified taxpayer.

Recommendation

The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of 10 percent of the eligible investment in the American Seating Park project, but no more than a \$2,800,000 credit.

Board Discussion

Tim Ward gave the Executive Committee report. He indicated the Executive Committee's recommendation for approval of the requested MEGA tax credit.

Doug Roberts asked whether this was the largest project within a Renaissance Zone.

Doug Rothwell and MEDC staff provided information on additional projects that are as large or larger.

Mr. Roberts asked how often we report Renaissance Zone successes. Chairman Rothwell responded, saying that the MEDC prepares an annual report for the legislature on Renaissance Zone activity.

Hearing no further discussion it was moved and supported and Resolution 2002-26 approving a brownfield redevelopment credit for American Seating Park, LLC was adopted.

The meeting was adjourned at 10:50 a.m.

ARTON W. LABELLE, Chairman
CK L. GINGRASS, Vice Chairman
LOWELL B. JACKSON
BETTY JEAN AWREY
TED B. WAHBY
JOHN W. GARSIDE
LH 0-0 (4/99)



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

TRANSPORTATION BUILDING, 425 WEST OTTAWA POST OFFICE BOX 30050, LANSING, MICHIGAN 48909

PHONE: (517) 373-2090 FAX: (517) 373-0167 WEB SITE: <http://www.mdot.state.mi.us>

GREGORY J. ROSINE, DIRECTOR

January 8, 2001

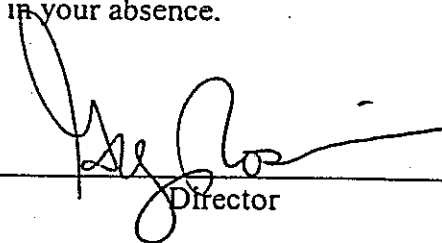
TO: Philip F. Kazmierski, Deputy Director
Bureau of Urban and Public Transportation

FROM: Gregory J. Rosine
Director

RE: Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the MEGA board meetings when I am unable to attend.

I appoint Jackie Shinn to assume these responsibilities in your absence.



Director

cc: Doug Rothwell, Director
Michigan Economic Development Corporation
Jackie Shinn