

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 201 N. Washington Square, 4th Floor Conference Room on August 14, 2001 at 10:00 a.m.

Members Present

Julie Croll (acting for and on behalf of Doug Roberts, authorization attached)
Craig DeNooyer
Sarah Deson-Fried
Nancy Duncan (acting for and on behalf of Duane Berger, authorization attached)
Phil Kazmierski (acting for and on behalf of Gregory Rosine, authorization attached)
Doug Rothwell (by phone)
Tim Ward

Members Absent

Beth Chappell

Others Present

Bruce Birgbauer, Principal, Miller, Canfield
Kathy Blake, Senior V.P., Business Development, MEDC
Tino Breithaupt, MEDC
Norm Chavka, Director of Operations, Saint-Gobain Sekurit U.S.A.
John Czarnecki, Vice President, Business Services, MEDC
Linda Dankoff, MEGA, MEDC
Jim Donaldson, Vice President, MBD, MEDC
Barbara Gordon, Assistant City Manager, City of Kalamazoo
Carrie Gray, Director, Marketing and Corporate Relations, American Axle & Mfg.
Val Hoag, MEDC
Carol Knobloch Johns, MEDC
Tim Kljun, Corporate Manager, American Axle & Manufacturing
Jennifer Kopp, MEDC
Paul Krepp, MEDC
Pauline Millichamp, MEDC
Mark Morante, Vice President, Dev. Finance, MEDC
John Rock, Operating Manager, Saint-Gobain Sekurit U.S.A.
Tom Schimpf, Attorney General
Tim Stahl, Controller, Saint-Gobain Sekurit U.S.A.
Vern Taylor, Brownfield, MEDC
Robert Tess, Project Coordinator, Macomb County Planning & Economic Development
Dawn Uranis, Corporate Relations Representative, American Axle & Manufacturing
Peter Zeiler, Business Development Representative, Detroit Economic Growth Corporation

Call to Order

Tim Ward called the meeting to order at 10:05 a.m.

Approval of Minutes from July 17, 2001

It was moved, supported and carried that the minutes from the July 17, 2001 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Saint-Gobain Sekurit U.S.A.
725 Barclay Circle, Suite 215
Rochester Hills, Michigan 48307*

Kathy Blake briefed the Board on this project. Pauline Millichamp introduced Norm Chavka, Tim Stahl, and John Rock of Saint-Gobain Sekurit U.S.A. and Bruce Birgbauer with Miller Canfield. Mr. Chavka made the presentation to the Board.

Saint-Gobain Sekurit is one of the world's leading suppliers of automotive glass systems, with sales in excess of \$1.5 billion. It employs 12,500 people in 22 countries. Saint-Gobain Sekurit manufactures a wide range of automotive products, including laminated and tempered glass for windshields, side glass and sunroofs. Saint-Gobain Sekurit's parent company is the Paris based Compagnie de Saint-Gobain. Saint-Gobain Sekurit U.S.A. is ready to make its first investment in a manufacturing facility in the U.S. Sites under consideration include Shelby Township, Michigan and Madison County, Ohio. This facility would receive tempered and laminated automotive glazing (glass) and add value to the product through light manufacturing operations, including but not limited to extrusions onto glass, light assembly and injection molding.

Phase I of the investment would occur in 2002 and includes \$7 million in machinery and equipment and the lease of a 50,000 square foot facility. Phase II would occur in 2004 and involve doubling the size of the facility and an additional \$7 million expenditure for machinery and equipment. Facility leases over a five-year period total \$4.2 million. The company anticipates creating up to 400 positions at an average weekly wage of \$623 plus a benefit package totaling up to 30 percent of wages. The jobs are scheduled to be phased-in over a five-year period.

The economic analysis done by the University of Michigan estimates that this facility will generate a total of 648 jobs in the state by the year 2013. Net state government revenues through the year 2013 would be increased by \$19,483,000 due to the presence of this facility.

The company has been offered an a very attractive package by Ohio, including state income tax credits for job creation, property tax abatements and job training assistance. In addition, the company would pay lower wages in Ohio. Over the 12-year period of the MEGA the operational cost gap between Ohio and Michigan would total approximately \$18 million.

The company would like to remain in Michigan, since the principals of the U.S. operation currently reside in Michigan. A sales and administrative presence is needed in Michigan, wherever the manufacturing operations are located. The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of up to \$1,000 per new employee, potentially totaling \$400,000. In addition, the state will provide a 100 percent abatement of the six mill State Education Tax. The estimated value of this state tax abatement is \$209,819. Shelby Township has approved a 50 percent property tax abatement for the project, including a five-year abatement on any new real and personal property. The estimated value of this local abatement is \$692,911.

Recommendation

The Michigan Economic Development Corporation recommends a 12-year MEGA employment credit consisting of a 100 percent credit for the initial ten years and a 50 percent credit for the last two years. The credit will apply to up to 400 net new jobs. This recommendation provides two years of credits beyond the length of the company's lease to anchor the company in Michigan and induce future investment.

Board Discussion

Tim Ward gave the report of the Executive Committee. Mr. Ward explained that it is this company's normal practice to build a glass fabrication plant and eventually a float glass plant to support its manufacturing operations. These investments normally occur within a 60 mile radius of a final assembly facility and are much more capital and labor-intensive operations. In view of this potential for future investments, and to offset the strong inducements offered by the State of Ohio, the Executive Committee recommends approval of the MEGA tax credit.

Tom Schimpf asked for clarification on the number of employees the company has. Mr. Chavka responded by explaining that the parent, Compagnie de Saint-Gobain has 700 employees in Michigan. Saint-Gobain Sekurit has only a sales force of about 15.

Craig DeNooyer asked whether the company is considered a tier one supplier. Mr. Chavka responded in the affirmative. Mr. DeNooyer also asked about the glass modules and what value is added by the company. Norm Chavka briefly explained that the addition of molding, rain sensors, and antennas are examples of the added values.

Nancy Duncan asked where Shelby Township is. Robert Tess explained that Shelby Township is near the west border of Macomb County.

Doug Rothwell mentioned that the MEDC has been attempting to encourage this company to expand in Michigan.

Tim Ward asked if there were any further questions from the Board. There being none, it was moved and supported, and Resolution 2001-035 awarding a MEGA Tax Credit to Saint-Gobain Sekurit U.S.A. was adopted.

ACTION ITEM

*American Axle & Manufacturing, Incorporated
1840 Holbrook.
Detroit, Michigan 48212*

Jim Donaldson began the presentation by introducing Carrie Gray, Dawn Uranis, and Tim Kljun of American Axle & Manufacturing, and Peter Zeiler with Detroit Economic Growth Corporation. The Board's approval is requested for a Brownfield Redevelopment Tax Credit.

American Axle & Manufacturing, Incorporated is proposing to construct a new 176,000 square foot, seven-story world headquarters office complex on a 19-acre parcel of property located in close proximity to its existing headquarters and its Detroit Gear and Axle manufacturing plant. The property is in the Detroit Renaissance Zone in an area characterized by high unemployment and disinvestments.

After acquisition of the proposed project site on March 12, 1994, the old industrial and commercial structures on the site were demolished. Massive amounts of concrete still remain two feet below the current grade. Construction requirements mandate significant excavation and removal of concrete prior to erection of the new facility. In addition, subsurface exploration has revealed the presence of sufficient levels of environmental contamination to cause the property to be considered a facility. The total project cost is estimated to be \$44.5 million.

The company is considering the relocation of its headquarters from Detroit to Amherst, New York. Amherst has offered an incentive package that includes: a capital grant from the state in the amount of \$2 million for machinery and equipment; a county grant in the amount of \$1 million for machinery and equipment; and an employment incentive credit estimated at \$3.1 million. Training and local abatements were also offered. The Brownfield Redevelopment Credit is needed to offset these incentives.

If the company chooses the Detroit location, it expects to employ 200 people within five years, and potentially an additional 200 within 10 years. The proposed project would also benefit the local community by: 1) providing an incentive for the redevelopment of a blighted area; 2) leveraging new investment of \$44.5 million at the site, which will increase the city's tax base after the expiration of the Renaissance Zone; 3) enhancing visual aesthetics in an area that fronts on I-75 and impacts a nearby residential neighborhood; and 4) reducing the impact of any environmental contaminants encountered during the redevelopment.

The eligible investment to be undertaken by American Axle includes:

Building construction	\$24,637,000
Site work (including removal of concrete)	3,326,000
Parking structures	6,040,000
Development fees (including A/E)	3,390,085
Building improvements	1,426,000
Contingencies	<u>5,717,846</u>
Project Total	\$44,536,931

The amount for contingencies includes costs for which eligibility has not been determined.

The location of the project within the City of Detroit Renaissance Zone will save the company an estimated \$11.2 million in property taxes and an estimated \$1,777,000 in SBT payments. In addition, the State of Michigan will provide an abatement of the state education tax, estimated at \$1.2 million. An Economic Development Job Training (EDJT) grant in the amount of \$140,000 will also be provided.

Recommendation

The staff is recommending a Brownfield Redevelopment Credit of 10 percent of the eligible investment in the project, but no more than a credit of \$4,435,694.

Board Discussion

Tim Ward gave the Executive Committee report. Although some clearing has already taken place, a substantial amount of debris below grade needs to be removed for the project to proceed. Amherst, NY has offered a healthy incentive package. No public assistance has been provided to assist the environmental clean-up that has taken place to date. The Executive Committee recommends awarding the brownfield redevelopment credit.

Tim Ward asked if there were any questions from the Board. There being none, it was moved, and supported, and Resolution 2001-036 approving a Brownfield Redevelopment Tax Credit for American Axle Manufacturing, Incorporated was adopted.

ACTION ITEM

*City of Kalamazoo Brownfield Redevelopment Authority
Economic Development and Planning
241 West South Street
Kalamazoo, Michigan 49007-4796*

John Czarnecki introduced Barbara Gordon, Assistant City Manager, City of Kalamazoo, who presented the request for work plan approval to the Board. A brief description was given and photographs of the project were distributed.

The Spareflex Block is located in downtown Kalamazoo within the Downtown Development Authority (DDA). The project consists of two parcels. One parcel has two existing structures that will be renovated. The buildings were formerly used as part of an auto parts manufacturing operation, which became tax reverted property, and were eventually acquired by the City. Both buildings will be converted to office and retail space that is marketable to high-end commercial and retail tenants. In addition, the existing storm and sanitary drain systems and water supply lines will be removed and replaced. The total investment in the project is expected to be around \$8.6 million. Of that, private investment is expected to total \$7.8 million.

The Spareflex Block has been the City's number one brownfield redevelopment priority for many years. The redevelopment is expected to result in the location of approximately 200 permanent jobs downtown and the creation of 150 construction jobs.

The project has received significant local support from the Downtown Development Authority, including a \$50,000 façade improvement grant, a \$60,000 building rehabilitation grant, and a \$300,000 streetscape improvement grant. The project will be a key link in the redevelopment of the business corridor that runs between downtown Kalamazoo and the Kalamazoo River.

The State Treasurer has approved a Brownfield Redevelopment Credit of \$887,203 and the Department of Environmental Quality has approved tax increment financing of \$15,000 for due care activities. State and local assistance to the project totals \$1,312,203 exclusive of any school tax capture the MEGA may approve.

It is estimated that redevelopment will increase the State Equalized Value of the property to \$3.25 million and generate about \$206,000 in property taxes annually. Of this amount, the Downtown Development Authority is expected to capture \$165,157, leaving \$41,289 to be captured by the Brownfield Redevelopment Authority. Of the

\$41,289 captured annually, \$25,689 is expected to be local taxes. The remaining \$15,600 will be school taxes.

The property was formerly used for industrial purposes and is the subject of a duly approved brownfield plan. Analyses of subsurface samples of soil and groundwater have confirmed the presence of contaminants which qualify the site as a facility.

Approval has been requested for the following costs:

Demolition*	\$ 41,300
Lead Abatement	103,559
Project Mgmt/work plan review	2,500
Infrastructure	
New water service*	68,931
Storm sewer repair	<u>70,000</u>
Sub Total	\$286,290
Contingency @ 15%	<u>42,943</u>
Total	\$329,233

*Eligible activities that have already begun or may be complete.

Recommendation:

The MEDC recommends conditional approval of the work plan because many of the eligible activities in the work plan have already begun. The approval of school tax capture will be applicable only to the costs of eligible activities incurred after the date of the Board's approval.

Board Discussion:

Nancy Duncan asked whether tenants have been identified for the project. They have.

Discussion was heard on the conditional nature of the recommended approval. Jim Paquet explained that approval for tax capture will be granted only for expenditures after the date of the Board's action, based on an accounting of activities and expenses incurred to date.

Tom Schimpf mentioned that this project was presented to the Board earlier this year and was returned for additional information.

Craig DeNooyer, Sarah Deson-Fried and Nancy Duncan all voiced concerns and discomfort with the project on a couple of different levels. All three spoke of feeling uneasy about the speculative nature of the project and the fact that it seems to support

an unfair competitive advantage for the Speareflex Block. It seems as though tenants are being enticed to move from downtown, leaving tenant vacancies behind.

Barbara Gordon responded by saying that this will be the first new near-Class A office space in Kalamazoo in a long time. She also described the city's plan to gradually move Class B offices to Class A space in order to rehabilitate Class B sites and move Class C offices into them, thus setting into motion a chain of rehabilitations and upgrades. John Czarnecki also spoke of the city's intent to rehabilitate downtown buildings in an effort to create more activity downtown.

Tim Ward said that this project was discussed at the Executive Committee meeting. The Executive Committee recommends approval of the request.

At the close of discussion, it was moved and supported and Resolution 2001-037 approving school operating tax capture for the City of Kalamazoo Speareflex Block was adopted.

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