

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) board was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on August 15, 2006, at 10:00 a.m.

### Members Present

Cullen DuBose

Jim Epolito

Bo Garcia

Martin Gibbs (acting on behalf of Robert Swanson, authorization attached)

Sande-Bain MacLeod

Faye Nelson (participating by telephone)

Scott Schrager (acting on behalf of Robert Kleine, authorization attached)

Jackie Shinn (acting on behalf of Kirk Steudle, authorization attached)

### Others Present

Karen Ammarman, MEDC

Peter Anastor, MEDC

Amy Banninga, MEDC

Fred Beal, J.C. Beal Construction

Jared Belka, MEDC

Tiffany Bloom, MEDC

Joe Borgstrom, MSHDA

Toni Brownfield, MEDC

Leon Clark, Mayor, City of Mason

Martin Colburn, City of Mason

Troy Cumings, Warner, Norcross & Judd

Eugene Curtis, Motown Construction Partners, LP

Lisa Dancsok, MEDC

Michael Dempsey, Detroit Economic Growth Corporation

Jean Derenzy, Grand Traverse County BRA

Jim Donaldson, MEDC

Tracy Freeman, MEDC

Sandra Gower, City of Dowagiac

Karen Lee, MEDC

Corey Leon, AKT Peerless

Carol Knobloch Johns, MEDC

Dale Kraker, Southshore Development, LLC

Lori LaPerriere, MSHDA

Leah Maher, MEDC

Scott Maresh, Avon Automotives

Kathy Markman, Attorney General's Office

Leonard Marszalek, Detroit Riverfront Conservancy

Jim McBryde, MEDC

H. Kirk Meadows, Honigman, Miller, Schwartz & Cohn

Kevin Meger, Martinrea Industries, Inc.  
Pauline Millichamp, MSHDA  
Mark Morante, MEDC  
Emmett Moten, Motown Construction Partners, LP  
Art Papapanos, Detroit Economic Growth Corporation  
Jim Paquet, MSHDA  
Leo Phillips, Motown Construction Partners, LP  
Susan Pigg, Ingham County Economic Development Corporation  
Nate Pilon, MEDC  
Mariangela Pledl, Detroit Brownfield Redevelopment Authority  
Mike Pohnl, MEDC  
Leland Richards, Avon Automotive  
Tim Robinson, Ann Arbor SPARK  
Jeff Sand, MEDC  
Marsha Scheer, City of Ferndale BRA  
Sten Sjoberg, Gestamp US HardTech  
Vern Taylor, MEDC  
Pat Vaillencourt, Village of Manchester  
Jeff Wallace, Village of Manchester  
Robert Wolfson, Singer Wolfson Construction

**Call to Order**

Robert Swanson called the meeting to order at 10:05 a.m.

**Approval of Minutes from August 9, 2006**

After review, a motion was made, supported and carried that board meeting minutes from the August 9, 2006 meeting be adopted

**Public Comment**

There was no public comment.

**ACTION ITEM**

*Cadillac Rubber & Plastics, Inc.  
602 West 7<sup>th</sup> Street  
Cadillac, Michigan 49601*

Jim Donaldson introduced Lee Richards and Scott Maresh from Avon Automotive. Mr. Richards presented this project to the board. Cadillac Rubber & Plastics, Inc. was formed in 1956 and acquired by Avon Rubber plc. in 1989.

Cadillac Rubber & Plastics, Inc., doing business as Avon Automotive, is a designer and manufacturer of low-pressure hoses and hose assemblies for coolant, heater, fuel,

windshield-washer, vacuum brake, turbochargers, and other automotive control applications. Avon Automotive has 12 manufacturing locations in 10 countries, employing 3,500, of which 565 are in Michigan.

The management team of Cadillac Rubber & Plastics, Inc. purchased the automotive division of Avon Rubber plc. on August 11, 2006. Because of the decline in the automotive industry in recent years, the new owners are proposing to offset the gradual decline in traditional automotive products with newer product lines for production in the Cadillac and Manton plants. By maintaining traditional products and adding newer product lines at the Cadillac and Manton operations, the company will retain a total of 565 existing full-time employees at these plants. Average wages for the retained workers will be \$652 per week.

Cadillac Rubber & Plastics, Inc. would add up to \$1.25 million in new machinery and equipment between the Cadillac and Manton operations by the end of 2007, and a total of up to \$7.6 million over the next five years.

It is estimated that this facility will retain a total of 1,122 jobs in the state by the year 2013. We also estimate that the project would maintain total state government revenues through the year 2013, of \$18.8 million due to the retention of this facility.

Cadillac Rubber & Plastics, Inc. is considering either retaining its manufacturing operations in Michigan or moving them to Orizaba, Mexico. When comparing the Michigan and Orizaba, Mexico locations, the company estimates that wage rates in Orizaba are significantly lower. Even with a logistics cost advantage in Michigan, the lower wage and benefit cost in Mexico could save the company up to \$1 million per year.

The Cities of Cadillac and Manton will support 50 percent, 12-year abatements of Cadillac Rubber & Plastics, Inc.'s new personal property tax. We anticipate the councils taking action on these abatements immediately following receipt of tax abatement applications from the company, within the next 60 days. Although community representatives were unable to appear at this meeting, Jim Donaldson assured the board, through acknowledging receipt of correspondence from both Cadillac and Manton, that the communities are supportive of this project. The City of Cadillac tax abatement has an estimated value of \$62,000, based on investment of approximately \$750,000, and the City of Manton tax abatement has an estimated value of \$46,000, based on investment of approximately \$500,000.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent retention employment tax credit for seven years, for up to 565 retained employees, subject to a repayment provision, should the terms of the credit agreement not be met.

## **Board Discussion**

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

Karen Ammarman distributed a revised resolution. In the original version, a stipulation that the purchase of the facility was to take place was noted. There having now been closure on the purchase, this item was eliminated from the revised resolution.

Hearing no further discussion, a motion was made and supported, and Resolution 2006-52, authorizing a rural retention MEGA tax credit for Cadillac Rubber & Plastics, Inc., was adopted.

## **ACTION ITEM**

*Gestamp US HardTech, Inc.  
200 Kipp Road  
Mason, Michigan 48854*

Gestamp US HardTech, Inc. (US HardTech) develops, manufactures and markets safety and structural components for the car industry. Its products are used by the Big Three auto manufacturers, and BMW. Jim Donaldson introduced Sten Sjoberg, the President of the U.S. facility. Mr. Sjoberg explained the history of this company, and presented the request for tax credit. In 1998, SSAB HardTech began production in its new facility in Mason, Michigan. The Swedish-owned company built the facility in response to North American demand for its products. The HardTech divisions in both the US and Sweden were purchased by Gestamp Automocion of Madrid, Spain in 2005.

In order to meet upcoming federal rollover standards for pickup trucks, US HardTech will be providing a new product concept for the automotive industry. This press hardening process for safety component parts provides a lighter weight, high strength product at a competitive price. In order to manufacture these new safety products, US HardTech is proposing to add on to its existing facility with a 200,000 square foot expansion.

The project would lead to the creation of 50 new jobs in the first year of the project and 150 new jobs over five years. The new positions will pay an average starting weekly wage of \$564.

Total capital investment for the project will be approximately \$74 million, including \$18 million in new construction and \$56 million in new machinery and equipment.

It is estimated that this facility will generate a total of 349 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be increased by \$16.5 million due to the presence of this facility.

It is US HardTech's preference to expand its existing facility in Mason, however, its parent organization in Spain has a facility in McCalla, Alabama serving the automotive industry, and the push from management there is to expand the Alabama facility. It is their belief that the future of the American automotive industry is in the South. There is sufficient land available to build this project at the Alabama site.

US HardTech operates under a very lean manufacturing concept and would be able to oversee an expansion in Mason, next to its current facility, much more efficiently than an expansion in Alabama. One of the reasons US HardTech built the current facility in Michigan was the skill base of the workforce. The lower wages paid in Alabama offer a financial consideration to doing the expansion there.

Martin Colburn and Mayor Leon Clark from the City of Mason were present at this meeting, along with Sue Pigg from the Ingham County Economic Development Corporation. Mr. Colburn expressed the community's support for this expansion. The City of Mason is expected to approve a 50 percent PA 198 tax abatement for the new real property for 12 years and personal property related to this project for 12 years. The estimated value of this abatement is \$7,895,142.

The State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$1,697,065.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 15 years, for up to 150 net new employees.

### **Board Discussion**

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

Hearing no further discussion, a motion was made and supported and Resolution 2006-53, authorizing a standard MEGA tax credit for Gestamp US HardTech, Inc., was adopted.

### **ACTION ITEM**

*Martinrea Industries, Inc.  
2319 Bishop Circle East  
Dexter, Michigan 48130*

Jim Donaldson introduced Kevin Meger from Martinrea Industries, along with Pat Vaillencourt and Jeff Wallace from the Village of Manchester and Tim Robinson of Ann Arbor SPARK. Mr. Meger discussed the company's growth and consolidation plans.

Martinrea International Inc. is a Tier one automotive supplier, developing and manufacturing state-of-the-art metal forming and fluid management systems for the automotive and industrial sectors. The company currently employs over 3,000 individuals in facilities across North America.

In recent years Martinrea has developed a reputation as a "white knight", acquiring companies that had filed for Chapter 11 protection, and other defunct auto parts companies, restructuring their operations and returning them to profitability, saving jobs in communities across the continent. Between 2004 and 2005, Martinrea's revenue grew 15%.

The company currently has 341 full-time Michigan employees at its facilities in Clare, Dexter, Lincoln Park, Reed City, and Troy.

Martinrea currently operates fuel and brake line assembly facilities in multiple locations, including Dexter. The company is considering a restructuring of these operations into one location.

If the company consolidates to a site in Manchester, it would invest approximately \$8.3 million to refurbish and equip the facility. Additionally, over \$6.1 million of company owned equipment would be transferred to the new facility from existing operations in Ontario. The company anticipates the creation of up to 97 new jobs, paying an average weekly wage of \$594.

It is estimated that this facility will create a total of 429 jobs in the state by the year 2017. We also estimate that the project would increase total state government revenues through the year 2017, of \$18.2 million due to the location of this facility.

The company has considered several different restructuring plans, some of which involved the consolidation of operations into an existing facility, or consolidating and relocating to a new location. These strategies are being examined to help address the mismatch of capacity and utilization of Martinrea's facilities. The company has considered locations in the Greater Toronto area; Greenville/Spartanburg, SC; greater Nashville, and Northern Mexico. Lower taxes and labor costs in some of these locations could save the company up to \$2.5 million per year once the expansion is fully staffed.

The MEDC has offered up to \$100,000 of training assistance through the Economic Development Job Training program (up to \$500 per employee for up to 200 new or existing employees.)

The Village of Manchester will vote on a 12-year PA 198 property tax abatement for all new real and personal property related to this project at its August 17 village meeting. The estimated value of the PA 198 abatement is \$983,000. Ms. Vaillencourt expressed support of the project, on behalf of the Village of Manchester.

## **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 11 years, for up to 197 net new jobs.

## **Board Discussion**

Faye Nelson gave the report on behalf of the Executive Committee. The committee has recommended support of the company's request for a MEGA employment tax credit.

Jim Epolito asked whether the requested MEGA tax credit makes a real impact on the company's decision to expand its operation in Manchester. Mr. Meger responded, citing pressure from foreign markets, the currentcy exchange rate between Canada and the U.S., and saying that without the support of state and local government, the company would not go forward with this project in Michigan.

Copies of the resolution, which had been revised to reflect recently acquired information, were distributed and the changes discussed with the board.

Hearing no further discussion, a motion was made and supported and Resolution 2006-54, authorizing a standard MEGA employment tax credit for Martinrea Industries, Inc., was adopted.

## **ACTION ITEM**

*MCP Development, LLC  
725 South Adams, Suite 17  
Birmingham, Michigan 48009*

Joe Borgstrom introduced Emmett Moten, Eugene Curtis and Leo Phillips from MCP Development, LLC, and Mariangela Pledl with Detroit Economic Growth Corporation. The Fort Shelby Hotel, a historically significant structure, is located on West Lafayette just off Woodward and is within walking distance of the riverfront in Detroit's Central Business District.

Vacant for more than 25 years, the building is blighted and functionally obsolete. It has been vandalized and stripped of finishes and operating systems. There is significant water damage from a leaky roof. Mechanical, plumbing, elevator, and electrical systems all need to be replaced to make the building habitable. Safety systems must be installed. The property is the subject of a brownfield plan adopted November 20, 2002.

MCP Development, LLC, plans a \$68.9 million project that will proceed in two phases. The first phase will be the historic restoration of the hotel. The first 10 floors of the building will be redeveloped as a Doubletree Guest Suites Hotel with conference facilities. When completed the hotel will be the only suite/conference facility in Detroit and will have 204 rooms. Parking for the hotel and future residences will be provided by

an existing surface lot behind the hotel on Fort Street. The first phase of the project will begin in September of 2006 and be completed in December of 2007. Eligible investments are estimated at \$50,982,996.

The second phase of the project is the residential component, which will begin in September of 2007 and be completed in December of 2008. Floors 11-21 will be renovated into 62 one, two, and three-bedroom apartments renting at market rate. The 22<sup>nd</sup> floor will be a single 2,272 square foot penthouse apartment. Eligible investments for phase two of the project are estimated at \$17,894,639.

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

In addition to 300 temporary construction jobs, the project will result in the creation of at least 374 full-time managerial, service, and maintenance jobs paying a minimum average wage of \$10/hour with benefits, or \$12.50/hour without benefits.

Unemployment in the City of Detroit averaged 14.2% in 2005. The rate was more than double that of the state as a whole, 6.7%, during the comparable period.

As it stands, the vacated Fort Shelby Hotel is a blight on the Central Business District that is generating no tax revenue for the state or city. By supporting this redevelopment project, the building will be restored to its original beauty, 24 hour population density will be increased in the area, 374 living wage jobs will be created, and significant income tax, sales tax, and lodging taxes will be generated.

Other state and local assistance is being offered in the form of OPRA (Obsolete Property Rehabilitation Exemption Certificate) estimated to be worth \$12,000,000, over twelve years, and State Historic Tax Credits of \$1,864,111.

The eligible investment to be undertaken by MCP Development, LLC includes the following:

Building Restoration and Renovation	
Phase I	\$50,982,996
Phase II	<u>\$17,894,639</u>
Total Project	\$68,877,635

The project is located in the City of Detroit, a qualified local governmental unit. The property is functionally obsolete, as attested to by a Level III Assessor, and is the subject of a brownfield plan approved by the City of Detroit on November 20, 2002. The applicant is a qualified taxpayer that leases the eligible property.

### **Recommendation**

The Brownfield Redevelopment staff recommends approval of a Brownfield SBT



Redevelopment Credit of 10% of the eligible investment, not to exceed a \$6,887,763 credit.

### **Board Discussion**

Faye Nelson gave the report on behalf of the Executive Committee. The committee has recommended support of the requested brownfield redevelopment tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2006-55, authorizing a Brownfield SBT credit for MCP Development, LLC, was adopted.

### **ACTION ITEM**

*Motown Construction Partners LP  
277 Gratiot, Suite 500  
Detroit, Michigan 48226*

Joe Borgstrom introduced Fred Beal with Motown Construction Partners LP, the company that will undertake this project. The Broderick Tower Project involves the rehabilitation of two existing buildings in Detroit. They are the historic Broderick Tower, which marks the entrance to Detroit's Central Business District, and 1556 Woodward, a one-story adjoining restaurant. The two will be conjoined to create first-floor dining and retail space. The second, third and fourth floors of the Broderick will be rebuilt and leased as commercial space. The fifth through thirty-fourth stories of the Broderick will be finished as residential apartments in studio, one, two and three-bedroom configurations. The finished project will result in over 11,000 square feet of retail space, more than 12,000 square feet of commercial space and over 120,000 square feet of residential space.

A total of 95 new, permanent full-time jobs to be added. This total includes 40 retail and restaurant jobs paying from \$11-\$24 per hour, and 55 office-related jobs paying from \$25,000 to \$120,000 per year.

Total Capital investment for the project is estimated at \$43,880,000.

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

The unemployment rate (unadjusted) for the City of Detroit was 14.5% in January, 2006. This compares to the statewide seasonally adjusted average of 6.2% in January, 2006.

The building's plumbing, electrical and HVAC are out of date and will be entirely replaced. The roofs need extensive repair. The buildings lack life safety systems, which will be installed throughout. Long term disinvestment now requires major rehabilitation of both the exterior and interior of the buildings. Small floor plates do not serve contemporary demand for office use, which will be corrected by reconfiguration of walls

and partitions. The elevators are in need of extensive repair and/or replacement. The eligible activities are also intended to mitigate existing environmental conditions.

Other state and local assistance is being secured in the form of OPRA, valued at \$6,472,328, and Tax Increment Financing (TIF) assistance in the amount of \$2,913,653. Historic Preservation Tax Credit projected sale: Federal \$7,696,160; State \$1,490,732. Debt Financing: Lower Woodward Housing Fund \$2,540,000; HUD 220 program Mortgage \$24,574,000.

Eligible Investment Breakdown: \$39,831,950.

The project is located within the boundaries of the City of Detroit, a qualified local governmental unit, and has been deemed functionally obsolete. The property is the subject of a brownfield plan, duly approved by the Detroit City Council on July 12, 2006.

### **Recommendation**

The Brownfield Redevelopment staff recommends approval of a Brownfield SBT Redevelopment Credit of 10% of the eligible investment, not to exceed a \$3,983,195 credit.

### **Board Discussion**

Faye Nelson gave the report on behalf of the Executive Committee. The committee has recommended support of the requested brownfield redevelopment tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2006-56, authorizing a Brownfield SBT credit for the Motown Construction Partners LP, was adopted.

### **ACTION ITEM**

*Southshore Development, L.L.C.  
300 Terrace Street  
Muskegon, Michigan*

Joe Borgstrom introduced Dale Kraker of Southshore Development, L.L.C., and Troy Cumings, their attorney. Both Mr. Kraker and Mr. Cumings discussed the project. The development company will invest approximately \$50 million to turn a former leather tannery located in the City of Whitehall into a residential development with a restaurant and marina. The redevelopment plans include the addition of a boardwalk along the shoreline that will tie a city park located at the south end of the property to a nonmotorized public trail at the north end. The residential units will consist of 43 single family homes, 24 townhomes, 44 rowhouses, and 89 stacked flat units. The square footage on the residential units will range from 1,380 to 2,200 square feet per unit with an expected sales price range of \$230,000 to \$415,000. The improvements will include

150 marina slips and a 5,000 square foot restaurant/marina building as part of the project.

The project will be completed in four phases. The first phase consists of an investment of \$12,250,000 for site improvements and new construction of approximately 45 residential condominium units and 30 marina slips. The second phase consists of an investment of \$9,000,000 for the restoration of existing portions of the building, site improvements and construction of 45 residential condominium units and 35 marina slips. The third phase will consist of an investment of \$9,400,000 for site improvements and the construction of 45 residential condominium units and 35 marina slips. The fourth phase will consist of an investment of \$4,350,000 for site improvements and the construction of approximately 65 residential condominium units and 50 marina slips.

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

The project is likely to create a small number of restaurant-related jobs.

Anticipated due care costs are expected to be at least \$3.5 million. Clean fill will be placed over the existing grade to minimize the need for excavation and off-site disposal of impacted soils. The installation of vapor barriers beneath the buildings may be used to provide additional protection against indoor air inhalation.

The following incentives have been requested for this project:

~ Brownfield TIF from DEQ for environmental due care costs:	\$2,000,000
~ CMI brownfield redevelopment grants and loans for due care response activities, BEA, infrastructure improvements and demolition:	\$1,998,000

#### Eligible Investment Breakdown:

The eligible investment to be undertaken by Southshore Development, L.L.C. in four phases includes:

Site Improvements	
- Phase I	\$ 2,250,000
- Phase II	\$ 1,000,000
- Phase III	\$ 1,000,000
- Phase IV	\$ 350,000
New Construction	
- Phase I	\$ 10,000,000
- Phase II	\$ 8,000,000
- Phase III	\$ 8,000,000
- Phase IV	\$ 4,000,000

Building Renovations  
- Phase II

\$ 400,000  
\$ 35,000,000

The property, formerly used for industrial purposes, is a facility. The property is not located within the boundaries of a qualified local governmental unit. However, the MEGA board is allowed to approve up to three projects per year not located within a qualified local governmental unit. This project is the third and final project of this nature that the MEGA board can approve this year. The project is the subject of a brownfield plan approved by the City of Whitehall on October 11, 2005.

### **Recommendation**

The Brownfield Redevelopment staff recommends approval of a SBT Brownfield Redevelopment Credit of 10% of the eligible investment not to exceed a \$3,500,000 credit.

### **Board Discussion**

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

Jackie Shinn inquired as to the size of the site. Mr. Kraker said that it is 20-acres.

Hearing no further discussion, a motion was made and supported and Resolution 2006-57, authorizing a Brownfield redevelopment SBT credit for Southshore Development, LLC, was adopted.

### **ACTION ITEM**

*City of Dowagiac Brownfield Redevelopment Authority  
Post Office Box 430  
Dowagiac, Michigan 49047*

Joe Borgstrom introduced Sandra Gower with the City of Dowagiac BRA, along with Lionel Thomas from Pegasus Holdings and William Nelson from the City of Dowagiac. Mr. Thomas explained the project to the board and Mr. Nelson expressed community support for the project, which involves demolition of the existing Dowagiac Middle School building located at 520 Main Street. The project will involve the construction of a 19,981 square foot, two-story medical arts building on the southeast quarter of the parcel. The new construction will allow room for an expansion to the west of a proposed 6,400 square foot addition. Although the medical arts building will be tax exempt, the expansion area will be privately owned and operated and subject to property taxes. The project will also include above-ground parking provisions for interior and exterior parking spaces.

The second portion of the project will consist of a three-story, 54-unit senior living apartment building with a congregate care facility comprised of approximately 53,343 square feet. This will include the addition of underground parking spaces. This phase of the construction is anticipated to begin in September, 2006, with completion of 34 units by May of 2007. The additional 20 units are anticipated to be completed by May, 2008.

Approval of tax capture for Brownfield Work plans is based on criteria outlined in the statute. The criteria have been met.

It is anticipated that two jobs for the management and maintenance of the housing will be created. In addition, 27 jobs will be transferred to the medical arts building (three physicians and 24 support staff). Over the next two years it is anticipated that an additional two physicians will be added along with six additional support staff.

Unemployment in the City of Dowagiac was 4.4% in June, 2006. The seasonally adjusted rate for the State of Michigan was 6.3% in June, 2006.

**Project Costs:**

Demolition	\$ 370,500
Site Preparation	106,250
Asbestos/Lead Abatement	307,870
Public Infrastructure	+ 626,252
Sub-Total	\$ 1,410,872
Contingency (15%)	+ 211,630
Total	\$ 1,622,502

There are 49.46 mills available for capture, with school millage equaling 24 mills (49%) and local millage equaling 25.46 mills (51%). The recommended tax capture breaks down as follows:

School tax capture (49%)	\$ 787,238
Local tax capture (51%)	+ 835,264
Total	\$1,622,502

A small SBT Brownfield Redevelopment Credit is being requested in addition to the TIF. The project will also receive an OPRA.

The property has been certified as functionally obsolete by a Level III Assessor. The project is the subject of a brownfield plan approved by the City of Dowagiac on July 10, 2006.

**Recommendation**

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$1,622,502 described above. Utilizing the

current state to local capture ratio, the amount of school tax capture for this project is estimated at \$787,238.

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The committee recommended support of the requested school tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2006-58, authorizing the City of Dowagiac Brownfield Redevelopment Authority to capture school operating taxes for the Former Central Middle School redevelopment project, was adopted.

### **ACTION ITEM**

*City of Ferndale Brownfield Redevelopment Authority  
300 East Nine Mile Road  
Ferndale, Michigan 48220*

Robert Wolfson of Singer-Wolfson Development Company was introduced and explained the project. Singer-Wolfson specializes in smaller mixed-use and loft developments. The project involves demolition of the former Stop and Go automobile service garage in downtown Ferndale and construction of a mixed-use, retail/loft development on the site. The site is one block east of Woodward Ave. and across the street from the City Hall/ Library building. The new construction will include 4152 square feet of street level retail space fronting on Nine Mile. Parking for the project will be at ground level behind the retail space. Sixteen one-story, and sixteen two-story loft condominiums, averaging 800 square feet, will be constructed above the parking and retail developments. Each unit will have a terrace or balcony. The average unit price is estimated at \$200,000. Prospective tenants include a bank, fitness club, bookstore, and offices.

The property is located in Ferndale, a qualified local governmental unit, and is a facility. The property is the subject of a brownfield plan approved by the City of Ferndale on August 8, 2005. Marsha Scheer from the City of Ferndale Brownfield Redevelopment Authority was present and discussed community support for the project.

Approval of tax capture for Brownfield work plans is based on criteria outlined in the statute. The criteria have been met.

Based on past experience, the developer estimates the project will create 40 retail jobs in addition to temporary construction jobs.

Unemployment in the City of Ferndale averaged 5.7% in 2005, less than the statewide average of 6.8% for the year.

Project Costs:

Demolition	\$ 35,000
Infrastructure	60,895
Site Preparation	+ 21,750
Sub-Total	\$ 117,645
Work Plan Preparation and Review	6,000
Contingency (15%)	+ 17,646
Total	\$ 141,291

There are 34.44 mills available for capture, with school millage equaling 6 mills (17%) and local millage equaling 28.44 mills (83%). The recommended tax capture breaks down as follows:

School tax capture (17%)	\$ 24,613
Local tax capture (83%)	\$ 116,678
Total	\$ 141,291

A small SBT Brownfield Redevelopment Credit of \$510,000 has been requested for eligible investments in site improvements and new construction for the project.

**Recommendation**

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$141,291 described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$24,613.

**Board Discussion**

Faye Nelson gave the Executive Committee report. The committee recommended support of the requested school tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2006-59, authorizing the City of Ferndale Brownfield Redevelopment Authority to capture school operating taxes for the 211 East Nine Mile Road redevelopment project, was adopted.

**ACTION ITEM**

*Recticel Interiors North America, LLC  
5600 Bow Pointe Drive  
Clarkston, Michigan 48346-3155*

The MEGA awarded a tax credit to Recticel NA, Inc. to lease and equip a new building in Independence Township, Oakland County, to manufacture molded interior

components for the automotive industry, expand its North American headquarters, add research and development capabilities, and provide quality laboratories. The company and the MEGA entered into a Tax Credit Agreement on November 21, 2001 that described the Project and set forth the terms of the tax credit.

The company completed the project and collected the credit in 2004 and 2005 as anticipated.

Tiffany Bloom explained the company's request for amendment to the awarded tax credit. On January 1, 2006, the company restructured and the Interiors division, which houses the project, was spun off into a newly-formed L.L.C. named Recticel Interiors North America, L.L.C. Recticel NA, Incorporated has requested that the MEGA credit be transferred to Recticel Interiors North America, L.L.C.

### **Recommendation**

Staff recommends that the MEGA agree to the transfer of the Recticel NA, Incorporated credit to Recticel Interiors North America, L.L.C. effective as of January 1, 2006. Because all of the jobs of Recticel NA, Incorporated were held in the base employment level when the project was approved in 2001, no adjustment to the base is required in connection with the transfer.

### **Board Discussion**

Faye Nelson, on behalf of the Executive Committee, which has evaluated the request for amendment, recommended its approval.

Hearing no further discussion, a motion was made and supported and Resolution 2006-60, authorizing an amendment to transfer the Recticel NA, Incorporated credit to Recticel Interiors North America, LLC, was adopted.

### **ACTION ITEM**

*River Park Village Senior Apartments LDHA LP  
Phoenix Communities, Inc.  
4150 Grand River Avenue  
Detroit, Michigan 48208*

Jim Paquet introduced Corey Leon and Mariangela Pledl, from AKT Peerless and Detroit Economic Growth Corporation, respectively. Mr. Paquet discussed the request for amendment.

In December of 2004 the MEGA board approved a large SBT credit for the mixed-use redevelopment of the riverfront site of the historic Whittier Hotel on Detroit's eastside. A low-rise parking deck is located along the west side of the two towers. An underutilized parking lot lies to the immediate north, fronting on Jefferson Avenue.



As originally conceived, the \$29,895,000 project was to proceed in three phases. The first phase was the historic renovation of the Whittier towers into 140 senior apartments. Phase two was the construction of a new building comprised of 25,000 square feet of street level retail space topped by 60 market-rate lofts. The third and final phase was to be the demolition of the existing parking facilities and the construction of a new parking deck.

Since the MEGA's Pre-Approval Letter was issued in April of last year, the project has encountered unforeseen building, and market conditions that have increased costs and led to changes in the scope of the project.

Historic restoration standards have proven more expensive to meet than expected. As interior demolition has proceeded, it was discovered that building systems will require more substantial repair, reconfiguration, or replacement than originally expected, dramatically increasing costs. Market issues have required the reconfiguration of the space from 140 to 120 units, reducing cash flow and adversely impacting borrowing capacity.

The table below summarizes the project changes:

	Originally Proposed	Original Eligible Investment	Amendment Proposed	Amended Eligible Investment
Senior Towers	Approximately 140 apartments	\$10,201,000	Approximately 120 apartments	\$24,376,265
Market Rate Housing over retail	Approximately 60 units over 25,000 sq ft of retail	\$12,944,000	No market rate housing; Retail potential	\$0
Parking Garage	Demolish and construct large deck	\$6,750,000	Rehabilitate Parking Garage	\$250,000
<b>Total</b>		<b>\$29,895,000.00</b>		<b>\$24,626,265.00</b>
<b>Maximum allocation of Brownfield SBT credits</b>				<b>\$2,462,626.50</b>

National City will receive the SBT tax credit in exchange for an equity investment in the project. Because of the changes in the project, National City is concerned that the project will not be considered "complete" and that the tax credits will not be realized. Without National City's equity commitment, the financing needed to complete the Whittier renovation will not close.

## **Recommendation**

Staff is recommending that that amendment be approved so that the River Park Village project can be completed. As a result, the total credit will be reduced from the original \$2,989,500 to \$2,462,627.

## **Board Discussion**

Faye Nelson gave the Executive Committee report. After review and discussion, the Executive Committee has recommended support of the requested amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2006-61, amending the 2005 resolution and decreasing the amount of maximum Brownfield SBT credit for the River Park Village Senior Apartments redevelopment project, was adopted.

## **DISCUSSION ITEM**

### *Redevelopment of the Detroit Riverfront*

Michael Dempsey and Art Papapanos from the Detroit Economic Growth Corporation were introduced, along with Leonard Marszalek with the Detroit Riverfront Conservancy.

The Board is familiar with the work of the Detroit Riverfront Conservancy, in part because of Faye Nelson's role as its President and CEO. The Conservancy's vision is the creation of the Detroit RiverWalk, a pedestrian and wheeled pathway and green space stretching from Riverside Park, west of the Ambassador Bridge, to Gabriel Richard Park just east of the MacArthur Bridge to Belle Isle; over five and a half miles of riverfront. When completed, the RiverWalk will provide public access and connectivity to the riverfront. In support of that effort, the Board has approved Brownfield incentives for: GM Plaza and Promenade, Beaubien Place development, and for the Michigan Department of Natural Resources development of the Tri-Centennial State Park and Harbor.

The public amenities and spaces along the riverfront are a crucial piece of the plan for infill redevelopment that is transforming the Detroit riverfront into an area of vibrant urban neighborhoods where residents live, work, and play. As part of that development process, abandoned and contaminated industrial sites along the immediate riverfront area will be reclaimed for productive use. The key to this transformation is private investment, leveraged by public incentives and stimulated by a shared vision of what the riverfront can be.

Mr. Dempsey presented a powerpoint presentation featuring historical information and photographic evidence of the blight that is being eradicated and prospective representations for the future of the riverfront.

Because the “transformational” standard is one that the brownfield staff has applied in vetting projects for purposes of determining whether financing costs should be eligible for reimbursement from school tax capture, the brownfield staff is seeking the Board’s concurrence that the infill redevelopment of the Detroit Riverfront, taken as a whole, is transformational in nature.

The collective transformation of the Detroit riverfront will involve a series of projects and efforts that will take place over many years, fully consistent and compliant with the master development plans adopted by the city. As a result, the brownfield staff expects that it will occasionally seek authorization of interest expense reimbursement, through school tax capture, for projects that are not themselves transformational, but are critical components of this riverfront redevelopment. Interest reimbursement will only be recommended when the component project is both:

- 1) important to the overall riverfront redevelopment and
- 2) the economics of the project require greater than normal incentives.

Board member, Mr. Epolito, moved that the Board endorse the overall redevelopment of the Detroit riverfront, from the Ambassador Bridge to the MacArthur Bridge, as transformational. Mr. Garcia supported the motion and it was unanimously passed by the Board.

The meeting was adjourned at 11:30 a.m.



STATE OF MICHIGAN  
DEPARTMENT OF LABOR & ECONOMIC GROWTH  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

ROBERT W. SWANSON  
DIRECTOR

DESIGNATION OF AUTHORITY

As Director of the Michigan Department of Labor & Economic Growth, I hereby Authorize my Executive Assistant, Martin L. Gibbs, to represent me at the regular MEGA Board Meeting on August 15, 2006, that I cannot attend.

Robert W. Swanson, Director  
Department of Labor & Economic Growth

Dated: 8/2/06



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

JENNIFER M. GRANHOLM  
GOVERNOR

Robert J. Kleine  
State Treasurer

April 12, 2006

Michigan Economic Growth Authority  
300 North Washington Square  
Lansing, MI 48913

To Whom It May Concern:

I hereby designate Scott Schrager, Special Assistant to State Treasurer to represent me at meetings of the Michigan Economic Growth Authority Boards, which I am unable to attend.

Sincerely,

A handwritten signature in cursive script that reads "Robert J. Kleine".

Robert J. Kleine  
State Treasurer

C: Scott Schrager



STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

ANNE HURST  
INIFER M. GRANHOLM  
GOVERNOR

KIRK T. STEUDLE  
DIRECTOR

March 10, 2006

Ms. Karen Ammarman  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Ms. Ammarman:

As of March 3, 2006, I am appointing Jacqueline G. Shinn, Acting Chief Deputy Director, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In the case when Ms. Shinn is unable to attend a particular board meeting due to scheduling conflicts. I am appointing Michael Kapp, Acting Administrator, Transportation Economic Development and Enhancement, as my alternate representative to attend and act on my behalf.

If you have any question regarding these appointments, please call me at 373-0718.

Sincerely,

Kirk T. Steudle, P.E.  
Director