

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on August 17, 2004, at 10:00 a.m.

Members Present

Bo Garcia
David Hollister
Faye Nelson (attending by telephone)
Mary Lynn Noah (acting for and on behalf of Jay Rising, authorization attached)
Sandy Ring (acting for and on behalf of Donald Jakeway, authorization attached)
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Amy Banninga, MEDC
Kathy Blake, Sr. VP Business Development, MEDC
Fred Brenner, VP Taxes, Steelcase
John Byl, (attorney) HP3, LLC
Mark Chilcott, Chilcott Development Services, LLC
Bert Crandell, VP, HP3, LLC
Ray DeWinkle, VP, The Right Place, Inc.
Jim Donaldson, MEDC
Tracy Freeman, MEDC
Precia Garland, City of Cadillac
Jeff Kaczmarek, MEDC
Carol Knobloch Johns, MEDC
Dave Levitt, Partner, Mid Towne Village
Mike Lewakowski, Steelcase
Jim McBryde, MEDC
Susan McCormick, MEDC
Philip Marshallsay, CFO, Alphi Manufacturing, Inc.
Mark Morante, MEDC
Mike Pohnl, MEDC
Tom Schimpf, Attorney General's Office
Sue Shannon, City of Grand Rapids
Vern Taylor, MEDC
Reb Turner, Hillsdale County Industrial Development Corp.
Alan Valade, Honigman, Miller, Schwartz, and Cohn
Kelley Ziesemer, Gaines Charter Township

Call to Order

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

Approval of Minutes from July 13, 2004

A motion was made, supported and carried that the minutes from the July 13, 2004 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Steelcase Wood Plant LLC
901 44th Street SE
Grand Rapids, Michigan 49508*

Jim Donaldson began the presentation by introducing Ray DeWinkle with The Right Place, Inc., and Kelley Ziesemer from Gaines Charter Township, along with Fred Brenner and Mike Lewakowski from Steelcase. Mr. Brenner described the company's proposed consolidation.

Steelcase currently employs 505 at their wood furniture facility in Gaines Township, Michigan. Other Steelcase wood furniture manufacturing facilities are located in North Carolina, Indiana, and Tijuana, Mexico.

Steelcase is proposing to close two wood furniture plants in North Carolina and Indiana. Production at these facilities would be transferred to the company's existing wood plant in Gaines Township, Michigan. As a result, up to 350 jobs will be created in Michigan. These jobs will pay an average weekly wage of \$466. The company will transfer machinery and equipment valued at approximately \$3.4 million into the state, and will also incur \$17 million in severance expenses and capital write-offs due to the closure of the North Carolina and Indiana facilities.

It is estimated that this facility will create a total of 700 jobs in the state by the year 2014. We also estimate that the project will create total state government revenues through the year 2014, of \$22.5 million due to the location of this facility in Michigan.

The company was considering a move of this production to their facility in Tijuana, Mexico. The company has experienced lower labor and benefit costs in Mexico, which they estimate could save up to \$10 million per year.

Gaines Township has approved 50 percent abatement of the company's new personal property for four years for Steelcase Inc., the parent company. Ms. Ziesemer expressed the community's support for this project. Gaines Township plans to transfer the abatement to Steelcase Wood Plant LLC, on or about September 13, 2004. The estimated value of the local property tax abatement is \$96,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for 10 years, for up to 350 net new employees.

Board Discussion

Faye Nelson gave the Executive Committee report and on behalf of the committee, recommended approval of the requested employment tax credit. Discussion was heard with regard to the look-back aspect of the tax credit. The fact that Gaines Charter Township approved a personal property tax abatement to the parent company, Steelcase, Inc., and that the abatement will have to be transferred to Steelcase Wood Plant LLC, was also discussed.

Jackie Shinn requested clarification about the 75 new jobs mentioned in the resolution. Tom Schimpf explained that a minimum of 75 new jobs must be created in order for the company to be eligible for the tax credit.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-44, was adopted authorizing a standard MEGA tax credit with look-back for Steelcase Wood Plant LLC, contingent on the transfer of the local abatement to the LLC.

ACTION ITEM

*Alphi Manufacturing, Inc.
576 Beck Street
Jonesville, Michigan 49250*

Jim Donaldson introduced Phil Marshallsay from Alphi Manufacturing, and Reb Turner from Hillsdale County Industrial Development Corporation. Mr. Marshallsay explained the company's expansion plans.

The factory at Jonesville has been involved with the manufacture of tubular products for over 40 years. Alphi purchased the assets of the business in 1999. Since then, the company has doubled its sales revenues, invested over \$2.5 million in new equipment, renovations and system improvements, and has increased employment by 25 percent. The company currently employs 101 at the Jonesville facility.

The company plans a two-phase expansion that will require significant investment in new equipment and employees. Most of Phase 1 growth is related to exhaust business recently awarded to the company. The company forecasts a major sales increase, requiring an investment of approximately \$2 million in new equipment. Phase 2 growth is due to a new opportunity to produce tubes for one of the largest exhaust system manufacturers in the US. These tubes will be components of the next major General Motors vehicle platform, GMT900. This phase will require a significant investment in new equipment, new jobs and an expansion of 25,000 to 40,000 square feet to the existing facility. Capital expenditures for Phase 2 will be in excess of \$4 million, and are expected to create up to 80 new jobs, with an average weekly wage of \$426.

It is estimated that this facility will create a total of 88 jobs in the state by the year 2014. We also estimate that the project will create total state government revenues through the year 2014, of \$1.5 million due to the location of this facility in Michigan.

The company is considering two possible sites for their expansion. South central Indiana is under serious consideration for Alphi because three of the company's largest customers are located in Indiana, as well as two of their largest suppliers. Locating their exhaust business in Indiana would significantly reduce labor, transportation and communication costs. The company estimates that operating costs would be up to \$350,000 lower per year in Indiana.

The State of Michigan will offer 50 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$61,000.

The Village of Jonesville has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$389,000. The abatement is expected to be finalized in August, 2004. Mr. Turner, with Hillsdale County IDC, expressed the community's support of the planned expansion.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for 10 years, for up to 80 net new employees.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the requested rural employment tax credit. Discussion was heard regarding the nature of the rural tax credit. A rural employment tax credit offers a lower employment threshold to businesses located in counties with population of 75,000 or less. The company is required to create and maintain a minimum of five new jobs within the first year, and 25 new jobs within five years of the project begin date.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-45, authorizing a rural MEGA tax credit for Alphi Manufacturing, Inc., was adopted.

ACTION ITEM

*Alliant Foodservice, Inc.
One Parkway North
Deerfield, Illinois 60015*

In July of 1998, the MEGA authorized an Employment Credit of 100 percent for fifteen years to Alliant Foodservice, Inc. (Alliant). The project involved construction of a food distribution and warehouse facility in Wixom. The facility has been in operation since early 2000. The company had created 94 new jobs as of December 31, 2002.

Jim Paquet explained the reason for the company's request to transfer the credit. In November of 2001, Alliant was purchased by U.S. Foodservice, a Columbia, Maryland firm with no Michigan operations. In January of 2003, all employees of Alliant were transferred to the U.S. Foodservice payroll. U.S. Foodservice now operates the project in Wixom under the Alliant name.

Recommendation

Staff recommends that the MEGA agree to the transfer of the Alliant credit to U.S. Foodservice, Inc. U.S. Foodservice has no other operations in Michigan and no adjustment to the jobs base is required in connection with the transfer.

Board Discussion

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the requested amendment to transfer this tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-46, authorizing an amendment to Resolution 1998-011, which will transfer the tax credit for Alliant Foodservice, Inc. to U.S. Foodservice, was adopted.

ACTION ITEM

*Mid Towne Village, LLC
855 Plymouth Avenue, SE
Grand Rapids, Michigan 49506*

Jeff Kaczmarek introduced Sue Shannon from the City of Grand Rapids, who talked about the City's enthusiasm for the redevelopment project. Ms. Shannon introduced Dave Levitt, the developer for the project. This developer proposes to demolish all existing structures at the site, and construct a mixed-use project, which will include five new buildings and two private parking decks. The total new building square footage will be approximately 217,296, of which 150,636 will be commercial and office space, 34,659 will be residential, and 32,000 will be private parking.

Brownfield SBT Credits eligibility criteria have been met.

The project is using state and local TIF on the project.

The eligible investments to be undertaken in Grand Rapids by Mid Towne, LLC include:

Site Improvements	\$720,000
New Construction	\$24,726,090
New Machinery, Equipment and Fixtures	<u>\$ 6,181,522</u>
	\$31,627,612

The property has been deemed blighted by the City of Grand Rapids. The project is the subject of a brownfield plan approved by the City of Grand Rapids Brownfield Authority on June, 7, 2004.

Recommendation

The MEDC recommends approval of a MEGA SBT Brownfield Redevelopment Credit of \$2,000,000.

Board Discussion

Faye Nelson gave the Executive Committee report and on behalf of the committee, recommended approval of the requested brownfield redevelopment credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-47, authorizing a brownfield redevelopment credit for Mid Towne Village, LLC, was adopted.

ACTION ITEM

*HP3, LLC
220 Lyon Street, N.W., Suite 405
Grand Rapids, Michigan 49503*

Mark Morante presented this project to the board, after introducing Bert Crandell with HP3, LLC. Mr. Crandell introduced attorney John Byl and Sue Shannon from the City of Grand Rapids. HP3, LLC plans to construct a 300-400 room hotel and associated parking near the corner of Pearl Street and Campau Avenue in downtown Grand Rapids. The new hotel will feature a national brand and will be operated by Amway Hotel Corporation. The construction of the project is designed to coincide with an anticipated increase in the demand for downtown hotels generated by DeVos Place, the new convention center that opened in January of 2004. The Amway Hotel Corporation will operate both the Amway Grand Plaza Hotel and the HP3 hotel in a mutually beneficial manner, as they both serve the meetings and groups market for a large share of their occupancy.

Brownfield SBT Credit eligibility criteria have been met.

Per our stated policy of requiring maximum local effort to address the unique greenfield value of a site prior to seeking an SBT Credit, we believe it is appropriate to limit the State's participation on this project to an amount equal to what our TIF contribution would be. However, due to DDA bond claims on increased incremental taxes on the site, a brownfield TIF is not practical. Therefore, an SBT Credit is being proposed in lieu of State BRA TIF participation. This offer is consistent with our efforts to use the TIF to "green" brownfield sites but limit use of the SBT Credit to projects that need an additional incentive.

A study done by a national hotel consulting group showed that without the credit, the expected return on investment (ROI) on the project, if occupancy and room rate assumptions are met, is only 4%, well below market rate ROIs.

The brownfield costs associated with the project are estimated to be \$8.4 to \$12 million. The City's Downtown Development Authority will pay for 45% of the brownfield costs associated with the project.

The eligible investments to be undertaken in Grand Rapids by HP3, LLC include:

Site Improvements	\$ 8,300,000
New Construction	\$ 39,200,000
Equipment and Fixtures	<u>\$ 11,800,000</u>
Total	\$ 59,300,000

The property has been determined to be a facility and is the subject of a brownfield plan approved by the City of Grand Rapids Brownfield Redevelopment Authority on June 29, 2004.

Recommendation

The MEDC recommends approval of a MEGA Brownfield Redevelopment SBT credit on the basis of MEGA's tax capture policy for brownfield redevelopment tax increment financing (TIF). In this instance brownfield costs shall be shared 45% by the City of Grand Rapids and 55% by the State of Michigan. The State's contribution shall be through a Brownfield Redevelopment SBT credit equal to 96% of 55% of the brownfield cost, up to a maximum of \$5,930,000. The approval is also conditioned upon the City of Grand Rapids or its DDA entering into a reimbursement agreement with the HP3, LLC and MEGA where the City or the DDA agrees to reimburse HP3, LLC for the remaining 45% of the cost of the eligible activities, not including interest charges.

Board Discussion

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

Jim Paquet discussed the complex aspect of the approval for reimbursement of the eligible activities.

Hearing no further discussion, a motion was made and supported and Resolution 2004-48, authorizing Brownfield Redevelopment SBT credit for the HP3, LLC project, was adopted.

ACTION ITEM

*City of Ypsilanti Brownfield Redevelopment Authority
Brownfield Redevelopment Authority
One South Huron Street
Ypsilanti, MI 48197*

Jeff Kaczmarek presented this project to the board. The Peninsular Park project will consist of 184 apartment units, consisting of a total of 479 rooms. These multi-level residential housing units will be designed and targeted for students from Eastern Michigan University. The development will comprise a total of 186 housing units and 402 parking spaces located on two parcels. A total of 87 housing units and 187 parking spaces will be located on the western parcel, while the eastern parcel will consist of 99 housing units and 215 parking spaces. The extent of the development will cover approximately 7.8 acres. All existing structures, formerly known as the Crown Paper Company, will be demolished prior to redevelopment of the site.

The Work Plan requests public infrastructure improvements and site preparation costs associated with the development of the site.

Brownfield Work Plan eligibility criteria have been met.

MDEQ has approved \$537,000 in TIF for environmental activities.

PROJECT COSTS

MEGA Eligible Activities	
Infrastructure	\$ 60,000
Site Preparation	\$440,000
Contingency (15%)	<u>\$ 76,000</u>
Subtotal	\$576,000
Administrative Expense	up to \$ 7,000
Total	\$583,000

The cost of the eligible activities totals \$1,490,000. The tax breakdown is as follows:

\$ 225,360	State School Property Taxes (39%)
<u>\$ 357,640</u>	Local Property Taxes (61%)
\$ 583,000	

The site is a "facility," which means that it has been determined to be a property where a hazardous substance in excess of state standards is present and that it must be given priority over non-facilities. The property is located within the boundaries of the City of Ypsilanti, a qualified local governmental unit. The project is the subject of a Brownfield plan duly approved on November 26, 2003 by the Ypsilanti City Council.

Recommendation

The Michigan Economic Development Corporation recommends approval of a maximum school tax capture up to \$225,360 for eligible activities totaling \$583,000.

Board Discussion

Faye Nelson gave the report of the Executive Committee and recommended approval of the requested tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2004-49, approving the capture of taxes levied for school operating purposes to the City of Ypsilanti Brownfield Redevelopment Authority for its Peninsular Park housing project, was adopted.

ACTION ITEM

*City of Cadillac
200 North Lake Street
Cadillac, MI 49601*

Precia Garland, Assistant City Manager for the City of Cadillac, presented the request for tax capture to the board. The project is a residential condominium facility for individuals and families. The development is located in the City of Cadillac at 301 North Lake Street, located within walking distance of the downtown and directly across the street from Lake Cadillac. The condominium will include 20 units in a six-story building with parking on the first floor and in detached garages.

To accommodate the construction of the condominium on the site, improvements to the public infrastructure located within the public right-of-way of Chestnut and Lake Streets are proposed. They include concrete removal, curb/gutter, sidewalk, sidewalk ramps, asphalt removal and replacement, and topsoil/seeding.

In addition, Consumers Power will bury overhead power lines in front of the new building and along the lake front. These changes will add substantially to the beautification of the site and provide an unobstructed view of Lake Cadillac from each residential unit.

Brownfield Work Plan eligibility criteria have been met.

A DDA grant of \$200,000 provides for an elevator. The developer is seeking an additional \$150,000 from the DDA to bury above ground power lines near the site.

A small SBT credit of \$620,850 based on \$6,208,500 private investment was approved on July 13, 2004.

PROJECT COSTS

Public Infrastructure Improvements/Including	
Utility Line Relocation	\$368,000.00
Work Plan Preparation	\$ 4,300.00
MEGA Work Plan Review	<u>\$ 1,000.00</u>
Total	\$373,300.00

The cost of the eligible activities totals \$373,300.00. The tax breakdown is as follows:

School tax capture (79%)	\$294,907.00
Local tax capture (21%)	<u>\$ 78,393.00</u>
	\$373,300.00

The site is a facility and is located within the boundaries of the City of Cadillac, a qualified local governmental unit.

Recommendation

The Michigan Economic Development Corporation (MEDC) recommends MEGA approve the request by the City of Cadillac and its Brownfield Redevelopment Authority to capture taxes levied for school operating purposes up to a maximum of \$294,907 to pay for eligible activities in the work plan prepared in March of 2004. The total project cost is estimated to be \$373,300.

Board Discussion

Jackie Shinn asked what would happen to the existing rail line at the site. Ms. Garland explained that the rail line will remain in place.

Chairman Hollister asked about the start date for the project. Ms. Garland said that the developer is planning to begin the project this calendar year.

Faye Nelson gave the Executive Committee report. On behalf of the committee, she recommended approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-50, approving the capture of taxes levied for school operating purposes to the City of Cadillac Brownfield Redevelopment Authority for its Lakeside Development project, was adopted.

The meeting was adjourned at 11:00 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, September 14, 2004.



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ANNIFER M. GRANHOLM
GOVERNOR

JAY B. RISING
STATE TREASURER

August 17, 2003

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

To Whom It May Concern:

I hereby designate Mary Lynn Noah, Bureau of Local Government, Department of Treasury, to represent me at the Michigan Economic Growth Authority meetings, which I am unable to attend.

Sincerely,

Jay B. Rising
State Treasurer

c: Fred Headen
Mary Lynn Noah



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

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May 14, 2004

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DTE Energy Company

GARY TORGOW
Sterling Group

PETER S. WALTERS
Guardian Industries Corp.

Mr. James Paquet
Secretary
Michigan Economic Growth Authority Board
300 N. Washington Square
Lansing, MI 48913

Dear Mr. Paquet:

I hereby designate Sandy Ring, MEDC Chief Operating Officer, to represent me and vote at all MEGA Boards Meetings when I am unable to attend.

If you have any questions, please feel free to contact me at 517-241-1400.

Sincerely,

Donald E. Jakeway
President and CEO

Cc: Sandy Ring
Jim Lancaster



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TRANSPORTATION
LANSING

GLORIA J. JEFF
DIRECTOR

February 10, 2003

Mr. Jim Paquet, Secretary
Michigan Economic Growth Authority Board
Michigan Economic Development Corporation
300 North Washington Square
Lansing, Michigan 48913

Dear Mr. Paquet:

As of January 31, 2003, I am appointing Jackie Shinn, Administrator, Office of Transportation Economic Development and Enhancement, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In case Ms. Shinn or I are unable to attend a particular board meeting due to scheduling conflicts, I am appointing Rob Abent, Bureau Director, Multi Modal Transportation Services Bureau, as my alternate representative to attend and act on my behalf.

If you have any questions regarding these appointments, please call me at 517-373-0718.

Sincerely,

A handwritten signature in black ink that reads "Gloria J. Jeff". The signature is written in a cursive style and is positioned above the printed name and title.

Gloria J. Jeff
Director