

## 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 26, 2003, at 10:00 a.m.

### Members Present

Cullen DuBose

Bo Garcia

David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)

Denise Ilitch (by telephone)

Faye Nelson

Jay Rising

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Peter Anastor, MEDC

John Anhut, Farmington Hills Economic Development Corporation

Dawn Baetsen, Deloitte & Touche

Ben Bodkin, Chief of Staff, Sen. Cameron Brown

John Czarnecki, MEDC

Ray Dewinkle, The Right Place

Steve Dill, Vice President, USF Technology

Jim Donaldson, MEDC

Jim Eggleston, Fisher & Company

Jim Erven, Vice President, M.S. Truck Body

John Hayes, City of Sturgis

Chuck Holmes, City of Farmington Hills

David Jeup, KPMG, LLC

Jeff Kaczmarek, MEDC

Kathy Kleckner, MEDC

Carol Knobloch Johns, MEDC

Bill Lichwalla, Plante & Moran CRESA

Susan McCormick, MEDC

Stu McGowan, City of Sturgis

Mark Morante, MEDC

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Matthew Rick, Assistant Attorney General

Tom Schimpf, Assistant Attorney General

Tom Tarleton, MEDC

Vern Taylor, MEDC

Aldo Vagnozzi, Rep., House of Representatives

**Call to Order**

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

**Approval of Minutes from July 15, 2003**

A motion was made, supported and carried that the minutes from the July 15, 2003 meeting be adopted.

**Public Comment**

There was no public comment.

**ACTION ITEM**

*Boji Group of Lansing, LLC  
124 West Allegan, 20<sup>th</sup> Floor  
Lansing, Michigan 48933*

John Czarnecki began by saying that the project before the Board was a revision of the SBT credit approved in December, 2001 and introduced Mr. Ron Boji. Mr. Boji explained the changes in the project.

The Boji Group of Lansing, LLC, is proposing to construct a 9-story, 135,000 square foot office building in downtown Lansing. The building will consist of 121,000 square feet of Class A office space and 14,000 square feet of first floor retail/restaurant space. This construction project is estimated to cost \$25 million. The Boji Group will simultaneously construct a 1,000+ space parking deck that the city will purchase upon completion. Revenues from the parking facility will be used to defray the costs of the overall project. Lansing-area developer, Joel Ferguson, has also been added as a partner in the LLC.

The eligible investment to be undertaken in Lansing by the Boji Group include:

Site Improvements	\$ 600,000
New Construction	\$ 17,900,000
Building Improvements	\$ 500,000
Furniture & Fixtures	\$ 6,000,000
Project Total	\$ 25,000,000

The economic development programs and additional city assistance identified for this project are as follows:

- MEDC Core Community Fund Loan (\$4,180,000)
- Funds to be used to assist the financing of the public parking deck.

Brownfield Tax Increment Financing (\$600,000)

--Local taxes will be captured to assist with environmental cleanup and site preparation activities.

City purchase of the parking deck

The property, formerly used for commercial purposes, is contaminated and is located within the boundaries of the City of Lansing, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on October 15, 2001, by the Lansing City Council, and Boji Group of Lansing, LLC, is a qualified taxpayer.

**Recommendation**

The MEDC recommends approval of a MEGA Brownfield Redevelopment Credit of 10% of the eligible investment in the Boji Tower project, not to exceed a \$2,500,000 credit, with the final award based upon a percentage equal to the percentage of the building leased to tenants that are either new to the State of Michigan or relocated from outside the City of Lansing Tax Increment Financing Authority District.

**Board Discussion**

Faye Nelson gave the Executive Committee report recommending approval by the MEGA Board.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-22, approving a Brownfield Redevelopment Credit for Boji Group of Lansing, L.L.C., was adopted.

**ACTION ITEM**

*MS Truck Body Corp.  
1801 South Nottawa Road  
Sturgis, Michigan 49091*

Jim Donaldson began by introducing Jim Erven from MS Truck Body, and John Hayes from the City of Sturgis. Mr. Erven explained the proposed project. MS Truck Body Corp. is a manufacturer of truck bodies and service parts for truck bodies. The company was formed on July 15, 2003, when the assets of Grumman Olson Industries, Inc. in Sturgis, Michigan were acquired. Grumman Olson had operated in Sturgis since 1963. Currently, MS Truck Body has 257 employees in Sturgis, all former Grumman Olson employees.

MS Truck Body has proposed relocating several of their business operations from Pennsylvania to Sturgis, Michigan. The business units include parts, materials handling and the specialty Beltrami Door business. The relocation of these business units is

expected to generate 264 new jobs in the next five years, paying an average weekly wage of \$510.

Total capital investment for the project would be approximately \$1.25 million in new and transferred personal property. The company intends to utilize existing facilities acquired with the purchase of the Grumman Olson operations in July. The initial transfer of business operations would begin in September 2003, with 180 new positions created in the first year.

It is estimated that this facility will generate a total of 420 jobs in the state by the year 2007. Total state government revenues through the year 2007, would be increased by \$4.5 million due to the presence of this facility.

As part of the company's decision-making process, MS Truck Body compared the costs of the project in Sturgis to a sister facility in Corsicana, Texas. The major cost gap identified by the company was lower wage and utility costs in Texas. MS Truck Body estimates that labor costs in the south would be 10% less, saving the company nearly \$900,000 per year when fully staffed. In addition, the company estimates a savings of approximately \$500,000 in electrical and gas utility costs due to lower heating needs in Texas.

The City of Sturgis is proposing a 50 percent abatement of taxes on the company's new personal property for 12 years, pending final adoption by the City of Sturgis. The value of the abatement is estimated at \$95,100. Final tax abatement approval is expected to be complete on September 10, 2003. John Hayes from the City of Sturgis voiced community support for the project.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for five years, for up to 264 net new employees.

### **Board Discussion**

Faye Nelson gave the Executive Committee report recommending board approval.

Mr. Hollister asked if there was anything unusual about the resolution. Mr. Donaldson indicated it was the standard resolution with the award being contingent on the adoption of the local tax abatement.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-23, approving a MEGA tax credit for MS Truck Body Corp., was adopted.

## **ACTION ITEM**

*Fisher & Company  
33200 Freeway Drive  
St. Clair Shores, MI 48082*

Fisher & Company is the leading supplier of seating mechanisms to the automotive industry. Customers include Ford, General Motors, Daimler-Chrysler, Isuzu, Mazda and Honda.

Jim Donaldson introduced Jim Eggleston with Fisher & Company, and Bill Lichwalla from Plante & Moran. Mr. Donaldson continued the presentation.

The project will allow for construction of a metal fabrication facility in the City of Sterling Heights and installation of large metal stamping presses and welding stations. The facility will initially consist of one building of approximately 75,000 square feet, but additional acreage will be acquired to eventually accommodate over 180,000 square feet of manufacturing space. The first building in the complex will be constructed and equipment will be installed from 2004 through 2006.

If Fisher selects Michigan, the project is expected to result in the creation of 181 jobs over the first five years with an average weekly wage of \$942. Fisher will invest \$21 million in the new facility and equipment.

It is estimated that that this facility will generate a total of 379 jobs in the state by the year 2019. Total state government revenues through the year 2019, would be increased by \$16.1 million due to the presence of this facility.

As part of the company's decision-making process, Fisher compared the costs of a new location in Sterling Heights with an expansion of their facility in Tennessee. The company faces higher wage and tax expenses in Michigan. The differential is estimated to be approximately \$1.5 million per year once the project is fully staffed.

The State of Michigan will offer an abatement of 50 percent 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 \$111,000.

The City of Sterling Heights is expected to approve a 50 percent abatement of the company's new real and personal property taxes for 11 years at a city council meeting scheduled for September 16, 2003. This tax abatement has an estimated value of \$778,000. Kathy Kleckner, an account manager for MEDC, explained the community representative's absence and conveyed strong community support for this project.

## **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 13 years for up to 181 net new employees.

## **Board Discussion**

Faye Nelson gave the report of the Executive Committee recommending that the credit be approved and acknowledging the support of the City of Sterling Heights for the project.

Mr. Hollister asked if there was anything unusual about the resolution. Mr. Donaldson indicated it was the standard resolution with the award being contingent on the adoption of the local tax abatement.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-24, authorizing a MEGA tax credit for Fisher & Company, Incorporated, was adopted.

## **ACTION ITEM**

*USF Technology Services, Inc.  
8550 West Bryn Mawr Avenue, Suite 700  
Chicago, Illinois 60631*

Jim Donaldson introduced Steve Dill from USF Technology Services, Inc., and Ray Dewinkle from The Right Place Program. Mr. DeWinkle explained the local tax abatement that has been offered to the company and conveyed the community's enthusiastic support for the project. USF Technology Services was organized in December 2001 to design, develop, implement and support common applications and information technology infrastructure for USF and its operating companies. USF Corporation provides comprehensive supply chain management services to a broad customer base across multiple industries, with annual sales exceeding \$2.3 billion.

At present, USF operating companies have information technology functions located in nine states. USF plans to develop shared applications to manage its business functions. Key for developing and implementing these new applications is the establishment of a centralized technology center. The location options for this technology center are Grand Rapids Township and Chicago, Illinois.

If USF selects Michigan, the project is expected to result in the creation of 80 jobs over the first five years with an average weekly wage of \$1,402. USF Technology Services will also invest \$28 million in computer hardware and peripherals.

It is estimated that this facility will generate a total of 153 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$3 million due to the presence of this facility.

As part of the company's decision-making process, USF compared the costs of the project in Grand Rapids and at their site in Chicago. The company faces higher taxes in Michigan. This differential is estimated to be approximately \$1 million per year once the project is fully staffed.

Grand Rapids Township approved a 50 percent abatement of the company's new personal property taxes for twelve years. The tax abatement has an estimated value of \$457,000. In addition, the State of Michigan has offered a 100 percent abatement of the 6-mill state education tax worth up to \$147,000.

### **Recommendation**

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

### **Board Discussion**

Faye Nelson gave the report of the Executive Committee recommending approval of the requested tax credit.

Hearing no further discussion, a motion was made and passed and Resolution 2003-25, approving a MEGA tax credit for USF Technology Services, Inc. was adopted.

### **ACTION ITEM**

*Akebono Corporation  
34385 West Twelve Mile Road  
Farmington Hills, Michigan 48331*

Akebono is requesting an amendment to the terms of its tax credit to allow the revised project to go forward in Farmington Hills rather than in Northville Township. Jim Paquet explained the reason for the move from Northville Township. On December 17, 2002, the MEGA adopted Resolution 2002-57 awarding Akebono Corporation a high tech credit for relocating and expanding its technical and engineering services group from Farmington Hills to Northville Township. Operations at the new facility were to include designing, testing, and developing advanced manufacturing processes and materials for automotive braking components. The Company signed its MEGA Tax Credit Agreement on February 18, 2003.

At the time the MEGA approved Akebono's application for MEGA tax credits, the Company had anticipated purchasing and housing its project in the Nanovation building in Northville. The purchase fell through and the Company was unable to locate another suitable building in Northville Township. After analyzing its options, the company decided to expand its current facility at 32385 West Twelve Mile Road in Farmington Hills to house the project.

As a result of the change in location, planned capital investment for the project has changed \$20.5 million from \$54 million to \$33.5 million. Approximately \$10 million of the reduction is attributable to machinery and equipment costs and the rest to building construction and improvements that will not be undertaken. Job creation is expected to remain the same at 190 jobs over a five-year period.

Farmington Hills has approved a six-year property tax abatement of both real and personal property taxes for the relocated project, which is the maximum term that Farmington Hills will approve for a project of this size. The abatement is valued at \$1.5 million, lower than the abatement previously approved by Northville Township, due to reduced investment and a shorter duration of the abatement. Northville Township had previously approved an eight-year abatement, valued at \$3.5 million.

While changes in capital investment have narrowed the cost gap, costs in Michigan are still expected to exceed the costs in Kentucky by approximately \$1.5 million per year once the project is fully staffed. Benefits to the state over the life of the credit are not expected to change materially due to the change in location. Construction costs have actually increased, which will move some of the benefits to the near future.

### **Recommendation**

The MEDC staff is recommending that the MEGA agree to the Akebono Corporation's request to relocate its project to Farmington Hills. Based on its review of the proposed changes in the project, the MEDC staff is satisfied that the changes do not warrant a revision of the credit amount or duration.

### **Board Discussion**

Faye Nelson reported that the Executive Committee agrees with the staff recommendation and requested Board approval of the amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2003-26, which amends Resolution 2002-57 for Akebono Corporation, was adopted.

### **ACTION ITEM**

*Smiths Aerospace, Inc.  
3290 Patterson Avenue, S.E.  
Grand Rapids, Michigan 49512*

Jim Paquet presented the amendment. Smiths Aerospace, Inc. designs and produces integrated avionics equipment for the military and civilian aviation industry.

On May 27, 2003, the MEGA adopted Resolution 2003-11, awarding Smiths Aerospace, Inc. a high tech credit for locating its integrated avionics laboratory in Cascade Charter Township, Kent County. The Company signed its MEGA Tax Credit Agreement on June 30, 2003.

The base employment level was set at 1,165 jobs based on the MEGA Application submitted by the Company. Subsequent to the Board's action and the execution of the MEGA Tax Agreement, the Company discovered that the jobs numbers it had submitted were incorrect.



The Company used budget data rather than actual job counts when completing its application for MEGA tax credits. That yielded a current employment number of 1,165 jobs. It later prepared a detailed report of the actual full-time Michigan employees by clock number and discovered that the number of current full-time jobs had been overstated on its application and that the correct number was 1,076 jobs. Errors were also noted in the historical employment numbers and corrections made.

Smiths Aerospace, Inc. is requesting an amendment to the terms of its tax credit to reduce the Base Employment Level from 1,165 to 1,076 to reflect the correct number of full-time jobs the company had in Michigan at the time of its application for MEGA credits.

### **Recommendation**

The MEDC staff is recommending that the MEGA agree to the company's request and that Smiths Aerospace, Inc.'s Base Employment Level be adjusted to 1,076, a decrease of 89 jobs.

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The Executive Committee recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2003-27, amending Resolution 2003-11 for Smiths Aerospace, Inc., was adopted.

The meeting was adjourned at 10:45 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, September 16, 2003.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF MANAGEMENT & BUDGET  
LANSING

~~CHANGE REQUEST~~  
xx000000000000000000xx  
Mitch Irwin  
Director

January 29, 2003

Mr. Jim Paquet  
Secretary to the MEGA Board  
300 N. Washington Square  
Lansing, Michigan 48913

Dear Mr. Paquet:

I hereby designate David Hollister, Director of Consumer and Industry Services, to represent me at meetings of the MEGA Board and ancillary functions related to the MEGA, when I am unable to attend.

Sincerely,

  
Mitch Irwin  
Director

cc: David Hollister, CIS  
Sabrina Keeley, MEDC



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 cursive script that reads "Gloria J. Jeff".

Gloria J. Jeff  
Director