

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on September 20, 2005, at 10:00 a.m.

### **Members Present**

Cullen DuBose  
Bo Garcia  
David Hollister  
Andrew Lockwood (acting for and on behalf of Jay Rising, authorization attached)  
Sande MacLeod  
Faye Nelson  
Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### **Others Present**

Peter Anastor, MEDC  
Leah Ballenger, MEDC  
Amy Banninga, MEDC  
Daniel Bishop, City of Sterling Heights  
Luke Bonner, City of Taylor  
Mike Brady, Comcast of Willow Grove  
John Czarnecki, MEDC  
Chuck Dittmar, Associated Environmental  
Jim Donaldson, MEDC  
Jill Ferrari, Redevelopment and Restoration Consultants  
Christopher A. Hajek, Morgan Development, LLC  
Carol Knobloch Johns, MEDC  
Jim McBryde, MEDC  
Nick Maloof, Associated Environmental  
Mark Morante, MEDC  
Jerome Morgan, Morgan Development, LLC  
Joe Nardoni, Real Estate Interest Group  
Susan Novakoski, MEDC  
Dennis Nowak, Morgan Development, LLC  
Jennifer Owens, MEDC  
Jim Paquet, Secretary to the Board  
Mike Pohnl, MEDC  
Anup Papat, Systems Technology Group  
Joseph Popp, Comcast of Willow Grove  
Matthew Rick, Attorney General's Office  
Ben Robertson, MEDC  
Doug Smith, City of Troy  
Vern Taylor, MEDC  
Bob Tess, Macomb County

## **Call to Order**

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

## **Approval of Minutes from August 23, 2005**

After review, a motion was made, supported and carried that board meeting minutes from the August 23, 2005 meeting, be adopted.

## **Public Comment**

There was no public comment.

## **ACTION ITEM**

*Comcast of Willow Grove, Inc.  
1500 Market Street, 36<sup>th</sup> Floor  
Philadelphia, Pennsylvania 19102*

Comcast of Willow Grove, Inc. is a subsidiary of Comcast Corporation, the nation's leading provider of cable, entertainment and communication products and services. Mr. Joseph Popp from Comcast was introduced, along with Bob Tess from Macomb County and Dan Bishop from the City of Sterling Heights. Mr. Popp explained the project to the board.

Comcast would like to expand their current Sterling Heights call center in order to field calls currently routed to a call center in St. Paul, Minnesota. The expanded call center will handle calls related to cable and high speed internet primarily from customers in Lansing and Grand Rapids. In order to accommodate this growth, Comcast is proposing to expand their Sterling Heights facility by 18,000 square feet. The company currently has 3,525 employees in Michigan. The planned project will create 200 new jobs, paying an average weekly wage of \$528, not including overtime, commissions and bonuses.

The expansion would require an investment of \$4.5 million, including \$3 million for building costs and \$1.5 million for new office furniture and computers. Construction would begin this fall, with an expected completion of the expansion next summer.

It is estimated that this facility will generate a total 292 jobs in the state by the year 2017. Total state government revenues through the year 2017, would be increased by \$7.6 million due to the presence of this facility.

In addition to Sterling Heights, Comcast is also considering an existing call center in Indianapolis, Indiana for this expansion. A cost comparison between the two locations identified lower operational costs in Indianapolis due to lower wages and utilities (a difference of approximately \$145,000 in total). In addition, the company will see substantial corporate tax savings in Indiana because the facility is a non-revenue

producing center and expenditures can be credited to other entities, allowing for corporate tax savings. These savings are estimated at \$600,000 per year.

The City of Sterling Heights has offered \$31,500 in city resources to assist Comcast with the recruitment of new employees. Services offered include use of the recreation center at no cost to host three job fairs. In addition, the City will provide advertising of the job fairs in their local Sterling Heights Magazine and on the local cable channel.

Macomb Community College will provide assistance to Comcast for the recruitment of new employees. The college is prepared to provide pre-employment screening and testing services, including the WorkKeys System and other corporate testing services such as Bennett Battery and Differential Aptitude Testing. The value of these services is estimated to exceed \$17,000.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years, for up to 200 net new jobs.

### **Board Discussion**

Bo Garcia 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 2005-69, authorizing a standard MEGA tax credit for Comcast of Willow Grove, Inc., was adopted.

### **ACTION ITEM**

*Systems Technology Group  
3155 West Big Beaver Road, Suite 220  
Troy, Michigan 48084*

Systems Technology Group, Inc. (STG) is a global provider of IT consulting and software services to the world's leading organizations. Jim Donaldson introduced Anup Popat, who is the CEO of the company, and Doug Smith from the City of Troy. Mr. Popat provided an explanation of what his company does, and presented the project to the board. The company provides its clients with software consulting and integration services onsite, offsite and offshore. STG uses a unique proprietary delivery methodology that includes processes, procedures, guidelines, best practices and templates to address various aspects of the systems development life cycle, regardless of the technology platform used. The company was established in 1985 and is headquartered in Troy, Michigan, where they currently have 96 employees. The company also has offices in Chennai, India.

The company has recently been presented with several multi-million dollar contracts with existing customers to provide new software applications, and is looking to expand its operations in Troy. These new contracts will require an increase in its employment, adding 356 new high-tech, information technology jobs at an average weekly wage of \$1,033.

A total capital investment of nearly \$2.2 million will be required, including \$460,000 to equip expanded offices and lease additional space.

It is estimated that this facility will generate a total of 544 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$11.7 million due to the presence of this facility.

Due to the high cost of doing business in Michigan, STG's CEO has considered moving the entire operation, including the new contracts and expansions, to Chennai, India. Even though the company would experience higher travel and communications costs in India, lower wages and taxes make locating in India attractive.

Discussion was heard with regard to the type of local assistance that will be provided. The \$45,000 leasehold improvements that were originally proposed by the City were not agreed upon. The City is now proposing to make road repairs valued at \$45,000. The company and city will agree to one or the other prior to the execution of the MEGA agreement.

Jackie Shinn advised that the Michigan Department of Transportation could not provide assistance for the road work if it is to be considered as local assistance for the MEGA.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for eight years and a 50 percent high-technology employment tax credit for two years for up to 356 net new employees.

### **Board Discussion**

Bo Garcia gave the report from the Executive Committee. The Executive Committee recommended support of the requested high-technology MEGA tax credit.

Jim Paquet said that the resolution will reflect the specific local support of the project, and reminded the board that no agreement will be signed with the company without an acceptable level of support from the community.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-70, authorizing a high-technology MEGA tax credit for Systems Technology Group, Inc., was adopted. Faye Nelson abstained from this vote.

## **ACTION ITEM**

*Champion Foods, LLC  
23900 Bell Road  
New Boston, Michigan 48164*

In November of 2002, the MEGA approved a tax credit for Champion Foods, LLC's pizza kit manufacturing facility in Huron Township, Wayne County. In its MEGA Agreement, Champion committed to maintaining its base employment level of 157, and to create at least 75 new jobs by June 30, 2005. Jim Paquet discussed the company's project and their request to extend their anniversary date.

The company's project was delayed by changes in engineering firms, materials price increases, which required alternative sourcing, and problems with engineering process equipment. Building renovations are now complete and the initial equipment is currently being installed. Because of the delays, only thirteen new jobs have been created.

The company expects to have the facility operational and to create an additional 123 jobs within the next year. It is requesting a one year extension of its anniversary date to allow it to qualify for the credit.

## **Recommendation**

Staff recommends that the MEGA extend Champion Foods, LLC's anniversary date for one year, to June 30, 2006, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged. The extension will give the company the opportunity to qualify for nineteen of the twenty years of its credit.

## **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee has reviewed the company's request for amendment, and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-71, authorizing the extension of the anniversary date for Champion Foods, LLC, was adopted.

## **ACTION ITEM**

*Veridian Systems Division, Inc.  
Ypsilanti Townships  
Washtenaw County*

In September of 2002 the MEGA authorized a Business Activity Credit of 100 percent for 20 years, and an Employment Credit of 100 percent for 20 years to Veridian

Systems Division, Inc. for expansion of its information systems development operations in Ypsilanti Township, Washtenaw County.

On January 1, 2005, Veridian was purchased by General Dynamics and merged into General Dynamics Advanced Information Systems, Inc. At the time of the merger, the company had no Michigan employees.

General Dynamics has asked that the MEGA credits be transferred from Veridian to it.

### **Recommendation**

Staff recommends that the transfer be approved. No change in the base employment level of the original credit is required.

### **Board Discussion**

Bo Garcia gave the Executive Committee report. The Executive Committee reviewed the company's request for transfer of credit, and recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported and Resolution 2005-72, authorizing the transfer of MEGA tax credits from Veridian Systems Division to General Dynamics Advanced Information Systems, Inc., was adopted.

### **ACTION ITEM**

*General Dynamics Advanced Information Systems, Inc.  
1400 Key Boulevard, Suite 1200  
Arlington, Virginia 22209*

In September of 2002, the MEGA approved tax credits for Veridian Systems Division, Inc. for expansion of its information technology development business in Ypsilanti Township, Washtenaw County. In its MEGA Agreement, Veridian committed to maintaining its base employment level of 320 jobs, and to create at least 75 new jobs by September 30, 2005.

In January, 2005, Veridian was purchased by General Dynamics and merged into General Dynamics Advanced Information Systems, Inc. (GDAIS). GDAIS has continued the expansion undertaken by Veridian, but has failed to create the 75 new jobs required to qualify for the credit in the nine months it has operated the project.

The growth of GDAIS has been hampered by changes in Department of Defense research contracting and it has created only 50 new jobs at the project. It is aggressively seeking work for the \$47 million dollar facility.

The company expects to be able to create the 75 new jobs required to qualify for the MEGA credits and has requested a one year extension of its anniversary date to September 30, 2006.

### **Recommendation**

Staff recommends that the MEGA extend the General Dynamics Advanced Information System's anniversary date by one year to September 30, 2006, but that the original schedule of the tax years in which the company is eligible for the credit remains unchanged. The extension will give the company the opportunity to qualify for 15 of the original 16 years of its credit.

### **Board Discussion**

Bo Garcia gave the Executive Committee report and indicated that the Committee has considered the request for extension to the MEGA anniversary date, and recommends approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2005-73, authorizing an amendment to extend the anniversary date for General Dynamics Advanced Information Systems, was adopted.

### **ACTION ITEM**

*Morgan Development, LLC  
36150 Dequindre, Suite 600  
Sterling Heights, Michigan 48310*

The project site, Morgan Waterfront Estates, consists of 44 acres located in southeast Detroit on the riverfront on the former Laro Coal industrial property. The site is contaminated. The developer proposes to remediate the site and construct 43 single family homes and 92 attached low-rise condominium homes on the property, which is on Freud Street; between Lycaste and St. Jean. The project will also create a commercial component to serve the residents of the development by providing services including maintenance, lawn care, snow removal, security, etc.

Vern Taylor introduced Dennis Nowak from Morgan Development. Christopher Hajek and Jerome Morgan from Morgan Development were also introduced. Mr. Nowak described the project to the board.

The completed project will include total estimated construction of approximately 120,400 to 221,450 square feet of single-family residential homes and approximately 143,000 square feet of attached low-rise condominiums. The total construction value of the project is estimated at \$39,342,684.

This project anticipates the creation of 18 permanent jobs in building management, security, grounds keeping, and maintenance, at an average hourly rate of \$17.50. The project is in an area of high unemployment. Investments on the site will include: 1) an estimated \$3,674,250 for Due Care related activities; 2) an estimated \$125,000 for additional response activities; 3) an estimated \$7,590,000 for site preparation and infrastructure; and 4) an estimated \$39,342,694 of new construction.

Brownfield SBT Credits are based on several criteria outlined in the statute. These criteria have been met. The City of Detroit has rezoned the property and revised the Master Plan, in support of the project.

The developer is currently in the process of obtaining financing from two private sources for \$45 million. The developer and other investors will contribute private equity.

The local government has granted a Neighborhood Enterprise Zone for the residential units, and loans and grants are being pursued through LUG.

PROJECT COSTS

Infrastructure	\$ 4,180,000
Site Preparation	2,420,000
Contingency	<u>990,000</u>
Total	\$ 7,590,000

The eligible investment:

Site Improvements	\$ 3,120,000
New Construction	<u>36,222,694</u>
	\$39,342,694

The projected reimbursement period is 17 years. There are 11.8867 mills available for capture, with school millage equaling 1.4981 mills (14%) and local millage equaling 10.3887 mills (86%) for the first 12 years of the 17 year projected reimbursement period. It is anticipated that 47.6086 mills will be available in the 13<sup>th</sup> year of reimbursement, six mills (12.6%) will be school tax capture and 41.6086 mills (87.4%) will be local tax capture available to reimburse the cost of eligible activities.

The recommended tax capture breaks down as follows:

\$ 1,017,060	State School Property Tax (13.4%)
+ <u>6,572,940</u>	Local Property Taxes (86.6%)
\$ 7,590,000	

The property is contaminated and is located within the boundaries of the City of Detroit, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved by the Detroit City Council on June 24, 2005.



## **Recommendation**

The Michigan Economic Development Corporation recommends approval to capture school taxes not to exceed \$1,017,060 based on eligible activities totaling \$7,590,000 and approval of a Brownfield redevelopment tax credit not to exceed \$3,934,269.

## **Board Discussion**

Bo Garcia gave the Executive Committee report. The committee recommended approval of both the Brownfield redevelopment credit and the work plan, with authorization to capture school operating taxes.

Hearing no further discussion, a motion was made and supported and Resolution 2005-74, authorizing a Brownfield redevelopment credit for Morgan Development, LLC, was adopted.

A motion was made and supported and Resolution 2005-75, authorizing the capture of school operating taxes for the City of Detroit, for the Morgan Waterfront Estates redevelopment project, was adopted.

## **ACTION ITEM**

*City of Taylor Brownfield Redevelopment Authority  
23555 Goddard Road  
Taylor, Michigan 48180*

Luke Bonner with the City of Taylor, and Jill Ferrari, representing Redevelopment and Restoration Consultants, were introduced, along with Joe Nardoni from the Real Estate Interest Group. The project is a 116-acre site located in the midtown district of Taylor. The properties include a tax reverted parcel, and all are vacant and underutilized. The eastern portion of the property consists of a retention basin currently operated by Wayne County. The drain can provide additional capacity for storm water runoff for a quarter of the City of Taylor, but the retention basin is an eyesore and is ensuring that the property is underutilized. A large portion of the site's western side is regulated wetlands, which can limit development. At the northern portion of the site there is an earth mound that is forty feet tall.

The project will reconfigure the 25-acre retention basin and construct 200 single-family homes around the basin. The basin will be redesigned to become an attractive amenity for the residents. The project will also construct 20,000 to 30,000 square feet of commercial/retail space along Goddard Road and offer greenspace, which will include a walking/biking path.

The tax increment financing (TIF) will be used to reimburse the developer for site preparation, including engineering designs, hydrologic studies, surveys, wetland

consulting, geo-technical investigation, earth moving, and clearing and grading. It will also be used for demolition of the pump station and the extraordinary costs for infrastructure improvements associated with the reconfiguration of the retention basin.

Brownfield Work Plan approvals are granted based on several criteria outlined in the statute. The criteria have been met.

The project is in an area of high unemployment. The developer anticipates new construction to cost \$53 million and land acquisition to be \$4 million.

The proposed project is consistent with the City of Taylor's priority of increasing walkable neighborhood centers, especially those that attract residents and add to the Midtown atmosphere. It is anticipated that the project will result in increased investment and development in areas adjacent to the site.

The total cost of eligible activities for the project is \$11,080,250. The City of Taylor has issued a bond to finance the cost of the activities. The bond will be repaid through both a DDA and Brownfield TIF. The DDA TIF will cover \$7,302,000 of the project (all local taxes) and the Brownfield TIF will cover the remaining \$3,778,250. School tax capture is 21.8% of the total repayment of principal cost of the project.

The millage rate in the City of Taylor is 66.2767. There are 9.3678 mills available for capture, with state education millage at six mills (64%) and local millage at 3.3678 mills (36%). The project is located in a DDA and is a residential project. The tax capture breaks down as follows:

### PROJECT COSTS

Demolition	\$ 150,000
Site Preparation	1,903,250
Infrastructure Improvements	<u>1,725,000</u>
Total	\$3,778,250

Assuming all Homestead (only six mills of State Education Tax):

School tax capture	\$ 2,418,080	64%
Local tax capture	<u>1,360,170</u>	36%
	\$ 3,778,250	

The property has been formerly used for residential, commercial or industrial purposes, is blighted and is located within the boundaries of the City of Taylor, a qualified local governmental unit. The project is the subject of a brownfield plan duly, approved on March 22, 2005, by the Taylor City Council.

### **Recommendation**

The Michigan Economic Development Corporation recommends approval of school tax capture not to exceed \$2,418,080 based on eligible activities totaling \$3,778,250 as described above.

### **Board Discussion**

The report of the Executive Committee was given by Bo Garcia. Mr. Garcia expressed the Committee's recommendation for approval of this work plan and tax capture.

Hearing no further discussion, a motion was made and supported and Resolution 2005-76, authorizing the capture of school operating taxes for the City of Taylor for their Midtown Basin Redevelopment project, was adopted. Jackie Shinn was not present for this vote.

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

The next meeting of the MEGA board is scheduled for Tuesday, October 18, 2005. The meeting will take place in Detroit's Renaissance Center.