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MEMORANDUM

DATE: October 8, 2007

TO: Michigan Economic Growth Authority

FROM: Mark Morante, Vice President
Development Finance

Amy Banninga, Project Team Manager
Development Finance

SUBJECT: Briefing Memo – Accident Fund Insurance Company of America
Standard Credit

COMPANY NAME AND ADDRESS:

Accident Fund Insurance Company of America
232 South Capitol Avenue
Lansing, Michigan, 48901

HISTORY OF COMPANY:

Since its founding in 1912, Accident Fund Insurance Company of America has been the number one provider of workers compensation insurance for Michigan business. The company also provides third party administration services and disability management. They operate in 43 states and the District of Columbia, and are the fifteenth largest writer of workers compensation insurance in the United States.

Accident Fund is headquartered in Lansing and is a wholly owned and independent operating subsidiary of Blue Cross Blue Shield of Michigan. Accident Fund currently employs 623 associates in Michigan.

PROJECT DESCRIPTION:

Accident Fund is proposing the development of a new national corporate headquarters campus which would house corporate functions, as well as support for both Michigan and other regional operations. The company is considering reuse of the historic Ottawa Power Station site in the City of Lansing.

Over the next 10 to 15 years, the company anticipates the creation of up to 500 jobs, with approximately 250 added over the next five years. The average annual salary for these positions is expected to be approximately \$57,000, or \$1,093 per week.

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The project will result in the development of approximately 300,000 square feet of Class A office space, and will cost over \$182 million. Project development activities are anticipated to include:

- Environmental remediation of the site and building, and the demolition of two existing buildings.
- Development of the approximately seven acre site, including a 20-foot wide public "linear" park along the river edge.
- Removal of an existing chilled water plant and high-pressure steam distribution facility and development of a replacement facility at a new location, to maintain utility services.
- Removal of an existing parking deck that occupies a portion of the site.
- Renovation of the historic Ottawa Power Station to provide office space and basement parking.
- A major building addition, designed to complement the historic power plant, including a central energy plant and data center facilities.
- Development of an approximately 1,000 car parking deck.

BENEFITS TO STATE:

According to the economic analysis done by The Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 804 jobs in the state by the year 2022. It is also estimated that the project would increase total state government revenues through the year 2022, net of MEGA cost and adjusted for inflation, by \$25.9 million (2007 dollars) due to the expansion of this operation.

BUT FOR:

In addition to the Michigan sites considered for a new corporate headquarters campus, Accident Fund also reviewed locating new growth in corporate services and other operations at their United Heartland facilities in New Berlin, Wisconsin. Accident Fund is the parent of Wisconsin-based United Heartland, which also writes workers compensation insurance.

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OTHER STATE AND LOCAL ASSISTANCE:

The City of Lansing has made significant commitments to facilitate the proposed development. To assist the company during the project development stage, the city has committed to a discount on parking leased by Accident Fund at its current headquarters building, valued at approximately \$500,000 over the next three years.

In addition, it is anticipated that the City of Lansing and the State of Michigan will work together towards additional project assistance including:

- Establishment of a Renaissance Zone at the site, resulting in property and business tax savings of approximately \$45 million over 15 years.
- Use of the brownfield redevelopment program to make tax increment financing available to reimburse for public infrastructure projected to cost \$25 to \$30 million. While the public infrastructure costs will be incurred during project development, reimbursement of these costs through TIF revenues will not begin until after the Renaissance Zone expires. Additionally, a brownfield redevelopment credit of approximately \$9.4 million will be available to assist the company with their redevelopment costs.
- The Michigan Department of Environmental Quality will allocate Clean Michigan Initiative funds of up to \$3 million to the City of Lansing, to be used for public riverfront improvements.
- The City of Lansing Brownfield Redevelopment Authority will allocate approximately \$600,000 of federal EPA grant funds to be used for environmental assessment and remediation of the site.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for twelve years, for up to 500 net new employees.