



MEMORANDUM

DATE: September 17, 2001

TO: Michigan Economic Growth Authority

FROM:  Tino Breithaupt, Managing Director
Global Business Development

SUBJECT: Briefing Memo – Comcast Midwest Management, Inc.

COMPANY NAME AND ADDRESS:

Comcast Midwest Management, Inc.
1500 Market Street, 36th Floor
Philadelphia, Pennsylvania 19102

HISTORY OF COMPANY:

Comcast Midwest Management, Inc. is a subsidiary of Comcast Corporation, a developer, manager and operator of broadband cable networks and provider of programming content, including QVC, E! Entertainment Television, Comcast-Spectacor and Comcast SportsNet. Comcast Cable is the third largest cable company in the United States, providing basic cable, digital cable and high-speed Internet services to more than 8.4 million customers. The company has over 18,000 cable division employees, including 2,550 currently in Michigan.

PROJECT DESCRIPTION:

Comcast Corporation has introduced high-speed data connections to the Internet through its existing cable network. Customer technical support for this on-line product is currently handled for Comcast via a third party contractor. Comcast is interested in providing this technical support directly to its customers by staffing its own support center through its subsidiary, Comcast Midwest Management. Comcast Midwest is proposing to build a new 70,000 square foot center dedicated to technical support in Scio Township, Washtenaw County. The center would require an investment of \$16.5 million, including \$12.5 million for land and building costs and \$4 million for furniture, computers and associated components.

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President & CEO

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This technical center would operate on a 24-hour, 365-day schedule and employ a total of 400 new workers. The average weekly wage will be \$600, not including commission, bonuses and other incentives, with a benefit package worth up to 22 percent of wages. Project construction will begin in late 2001 or early 2002 with a completion date of June 2002.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,163 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$47.9 million (2001 dollars) due to the presence of this facility.

BUT FOR:

Comcast could locate this facility anywhere in the U.S., but due to their presence in Michigan and Indiana the company conducted a comprehensive analysis between Scio Township, Michigan and Fort Wayne, Indiana. A cost comparison between the two locations identified lower operational costs in Fort Wayne for labor (approximately \$150,000 per year) and electricity (approximately \$45,000 per year). 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 \$1-2 million per year.

OTHER STATE AND LOCAL ASSISTANCE:

Washtenaw Community College (WCC) has committed to a new training partnership that will substantially benefit Comcast. The partnership will allow WCC to develop a five-week training program customized to Comcast's needs in training newly hired Technical Support Specialists, with continued program development by WCC for at least two additional years. Additionally, WCC will provide Comcast with support and participation in career fairs to be held on campus, use of the College Placement Center and web recruitment, advertising in college publications and recruiting through the Washtenaw Technical

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Middle College. The combined commitment from WCC for these contributions could total up to \$30,000 over the next three years.

In addition, the partnership with the college will allow Comcast to save approximately \$250,000 in one-time facility costs as they will not have to construct a 1,200 square foot training center in their new building. Comcast will also see a \$125,000 per year savings in training costs.

Scio Township is also providing a number of road infrastructure upgrades in the surrounding area that will benefit the Comcast Midwest Management site. The improvements are part of a road improvement plan that includes reconstruction of six-miles of Jackson Road from a two-lane road to a four-lane boulevard design. The first mile of that project was completed in 1998 and the second phase will begin this fall. In addition, improvements will be made at the I-94/Zeeb Road interchange as well as the I-94/Baker Road interchange.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for fifteen (15) years for up to 400 net new jobs.

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 17, 2001 at 11:00 a.m.

Members Present

Beth Chappell
Craig DeNooyer
Sarah Deson-Fried
Doug Roberts
Doug Rothwell
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)

Members Absent

Duane Berger
Tim Ward

Others Present

Al Aceves, Deloitte and Touche
Karen Ammarman, MEGA, MEDC
Peter Anastor, MEDC
Dawn Baetsen, Deloitte and Touche
Kathy Blake, Senior V.P., Business Development, MEDC
Tino Breithaupt, MEDC
Steve Brock, City of Farmington Hills
Sherry Brockie, Blackman Township
David Buhl, Comcast Midwest Management, Inc.
Alyssa Burns, Kraft, Incorporated
Greg Capote, City of Novi
Clay Carroll, Eaton Hydraulics
Dirk Daems, Recticel N.A., Incorporated
Linda Dankoff, MEGA, MEDC
Ashish Davanji, Owens-Corning
Bob Davis, Eaton Hydraulics
Don Davis, Eaton Hydraulics
Jim Donaldson, Vice President, MBD, MEDC
John Etcorn, Kraft Foods North America, Incorporated
Dan Foster, Ernst and Young
Tracy Freeman, MEDC
Michael Geschke, General Manager, Grunewald New Technologies, Incorporated
Robert Herr, Crowe Chizek
Val Hoag, MEDC
Fred Hoffman, Daimler Chrysler
LeynAnn Hughes, Comcast Midwest Management, Inc.
Kathy Kleckner, MEDC

Carol Knobloch Johns, MEDC
Maureen Krauss, Oakland County
Paul Krepps, MEDC
Dave Ladd, Dykema Gossett
David Miller, The Enterprise Group of Jackson
Mark Morante, Vice President, Dev. Finance, MEDC
Jerry Murphy, Owens-Corning
Susan Novakoski, MEDC
Jim Paquet, Secretary to the MEGA Board
Ben Robertson, MEDC
Kim Ross, Dykema Gossett
Tom Schimpf, Attorney General
Martina Schlagwein, MEDC
Jim Smith, Eaton Hydraulics
Vern Taylor, Brownfield, MEDC
Luis Viso, Plant Manager, Kraft Foods North America, Incorporated

Call to Order

Doug Rothwell called the meeting to order at 11:10 a.m.

Approval of Minutes from August 14, 2001

It was moved, supported and carried that the minutes from the August 14, 2001 meeting be adopted.

Public Comment

Ashish Davanji from Owens-Corning made a plea on behalf of the company that its project be presented to the MEGA Board for discussion and a decision at today's meeting.

Beth Chappell responded on behalf of the Executive Committee, saying that significant time was spent in discussion and review of Owens-Corning's application during last week's Executive Committee meeting. The committee felt that without an offer of an abatement or other significant local assistance by the City of Novi, a MEGA tax credit could not be granted. Doug Rothwell added that the law is explicit in the terms of requiring a local contribution to the project and that the road improvements that were made by the city at West Park Drive do not constitute a qualifying contribution. Chairman Rothwell offered MEDC's support over the next thirty days to help the company prepare for the October Board meeting.

Ashish Davanji accepted the refusal and explained that since Owens-Corning must make a decision about the location of its divisional headquarters office within the next 24-48 hours, the company would likely not return in October for the scheduled meeting of the MEGA Board.

Chairman Rothwell further clarified that the refusal to hear Owens-Corning's presentation is not a denial from the State of Michigan, it is a lack of qualified local contribution on the part of the City of Novi.

Beth Chappell stated that the Executive Committee is very supportive of the company's proposed headquarters office in Novi and that the MEDC has put a lot of work into preparing the company for the MEGA Board meeting, but the MEGA Board is bound by the law.

Greg Capote discussed the \$9.3 million road improvement that was invested in speculatively in order to attract businesses like Owens-Corning to the industrial park. He made another plea to the MEGA Board, based on the value that Owens-Corning's building project would add to the community and to the State of Michigan.

Doug Rothwell answered by stating that the Board tried to look at road improvements as liberally as it can in lieu of tax abatements. It is up to each individual community to incent companies in order to qualify for MEGA grants. The MEGA is making up a cost differential between locating in Michigan and in another state. The more the locals contribute, the less the state has to. He reiterated that at this point, in the eyes of the MEGA Board, the City of Novi has not offered the appropriate incentive.

ACTION ITEM

*Recticel North America, Incorporated
1653 Atlantic Boulevard
Auburn Hills, Michigan 48326*

Jim Donaldson described the expansion planned by the company.

Dirk Daems, Executive Vice President of Recticel, discussed the company operations and expressed its wish to remain in Michigan. Recticel N.A., which is currently located in Auburn Hills, is primarily a chemical compounding operation. The company compounds over 8 million pounds of material each year. These materials are then combined by Recticel's customers through a process called Reaction Injection Molding (RIM) and used primarily for automotive window encapsulation. Worldwide, Recticel employs over 11,000 people including 35 in Auburn Hills.

Recticel needs to expand its operations in order to begin manufacturing a newly developed product, molded interior skins for automotive interiors, which will be used by tier 1 automotive suppliers. In addition to the manufacturing, the project will also expand its North American headquarters, allow for the development of a research and development center, and provide quality laboratories. Recticel is proposing to lease a new 260,000 square foot facility to be constructed on 18 acres in Independence

Township. The new plant would require an investment of \$48.8 million, including \$12.6 million in capitalized lease costs and \$36.2 million for new machinery and equipment.

The project would include the addition of 286 new workers, including 105 in the first year of operations. The average weekly wage will be \$681, with a benefit package worth up to 25 percent of wages. Construction on the facility would begin no later than November 2001, with initial production beginning in April 2003. The facility would be fully operational by April 2004.

We estimate this facility will generate a total of 454 jobs in the state by the year 2012. Net state government revenues through the year 2012 would be increased by \$13.6 million due to the presence of this facility.

The major cost gap being faced by the company is the additional transportation costs of nearly \$1 million per year if the facility is located in Michigan. Some of those costs are offset by higher corporate taxes in Canada, but a cost gap of \$400,000 per year still remains.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for the first 200 new employees, totaling up to \$200,000. In addition, the company is eligible for an Investment Tax Credit of up to \$227,300.

Independence Township will assist in the location of Recticel by contributing approximately \$1 million for infrastructure improvements on Sashabaw Road. The improvement of Sashabaw Road is essential to the success of Recticel, as well as future projects to be located in the Independence Corporate Park. In the past, several projects have been deterred from locating in the Corporate Park because of the poor condition of Sashabaw Road. Construction would begin in the spring of 2002.

Recommendation

The Michigan Economic Development Corporation recommends a ten-year MEGA employment credit of 100 percent for the first five years and 75 percent for the remaining five years for up to 286 net new jobs.

Board Discussion

Beth Chappell gave the report of the Executive Committee. Ms. Chappell expressed the Executive Committee's enthusiasm for Recticel's proposed expansion, which includes adding manufacturing and research and development jobs to Michigan. On behalf of the committee, Ms Chappell recommended approval by the MEGA Board.

Doug Rothwell asked for further questions from the Board and hearing none, it was moved and supported, and Resolution 2001-038 awarding a MEGA Tax Credit to Recticel North America, Incorporated was adopted.

ACTION ITEM

*Grunewald New Technologies, Incorporated
5425 Perry Drive, Suite 102
Waterford, Michigan 48329*

Tino Breithaupt introduced Michael Geschke, General Manager of Grunewald New Technologies. Grunewald New Technologies, Incorporated, is currently the North American sales office for Grunewald GmbH & Co KG of Germany. Grunewald has 85 employees in Germany and two in its sales office located in Waterford, Michigan. The company has a proprietary rapid casting technology (used in prototyping), produces machinings of complex automotive components, and designs, engineers, and produces tooling for soft interior automotive components.

The company would build a 10,800 square foot facility and would employ up to 42 within five years. Capital investment would total \$6.9 million over the five-year period, including \$2.5 million in land and building and \$4.4 million in machinery and equipment. Average weekly wages at the facility will total \$1,106 and a benefit package worth up to twelve percent of wages will be offered. Construction of the new facility would begin in late September 2001 and be complete by July 2002 at which time operations at the building would begin.

We estimate this facility will generate a total of 126 jobs in the state by the year 2011. Net state government revenues through the year 2011, would be increased by \$4.8 million due to the presence of this facility.

Grunewald New Technologies realizes that due to its involvement in the development of fuel cell vehicle technology, Michigan is an excellent location for its prototype facility. In addition to its proximity to major automotive OEMs and tier one suppliers, Michigan is fast becoming a center for fuel cell technology development.

Since this is the first North American venture of the Germany-based firm, and because the company's current customers are all located in North Carolina, South Carolina and Alabama, Grunewald is considering Spartanburg, South Carolina and Waterford Township, Michigan for the location of this facility.

The cost differential between Michigan and South Carolina to operate this facility averages \$200,000 per year over the life of the MEGA credit. This differential is primarily due to lower wages in South Carolina. A MEGA credit is needed to attract this high technology company to Michigan.

The State of Michigan will offer an abatement of 100 percent of the 6-mill State Education Tax (estimated value \$76,444) for a length of time to match the local property tax abatement. Waterford Township has proposed a 50 percent abatement of the company's personal real and property taxes for twelve years. The estimated value of this local abatement is \$498,741.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for five years followed by a credit of 50 percent for five years for up to 42 net new jobs.

Board Discussion

Beth Chappell gave the Executive Committee report and was pleased to recommend approval of the project by the Board. She cited the importance of the fuel cell technology to Michigan.

Doug Rothwell asked if there were any questions from the Board. There being none, it was moved, and supported, and Resolution 2001-039 approving a High-Tech MEGA Employment Credit for Grunewald New Technologies, Incorporated was adopted.

Mr. Geschke thanked the MEDC staff and the MEGA Board.

ACTION ITEM

*Comcast Midwest Management, Incorporated
1500 Market Street, 36th Floor
Philadelphia, Pennsylvania 19102-2148*

Tino Breithaupt introduced David Buhl, Vice President, Customer Service and Sales, and Leynann Hughes, also from Comcast. Mr. Buhl gave a presentation to the Board that concentrated on the company's cable network. He outlined the benefits and commitments they intend to offer to the community, including offering high-speed internet and cable access to local schools and many volunteer hours of community service.

Comcast Midwest Management, Inc. is a subsidiary of Comcast Corporation, a developer, manager and operator of broadband cable networks and provider of programming content. Comcast Cable is the third largest cable company in the United States, providing basic cable, digital cable and high-speed internet services to more than 8.4 million customers. The company has over 18,000 cable division employees, including 2,550 currently in Michigan.

Comcast Corporation has introduced high-speed data connections to the internet through its existing cable network. Customer technical support for this on-line product is currently handled for Comcast via a third party contractor. Comcast is interested in providing this technical support directly to its customers by staffing its own support center through its subsidiary, Comcast Midwest Management. Comcast Midwest is proposing to build a new 70,000 square foot technical support center in Scio Township, Washtenaw County. The center would require an investment of \$16.5 million, including

\$12.5 million for land and building costs and \$4 million for furniture, computers and associated components.

This technical center would employ a total of 400 new workers. The average weekly wage will be \$600, not including commission, bonuses and other incentives, with a benefit package worth up to 22 percent of wages. Project construction will begin in late 2001 or early 2002 with a completion date of June 2002.

We estimate this facility will generate a total of 1,163 jobs in the state by the year 2016. Net state government revenues through the year 2016 would be increased by \$47.9 million due to the presence of this facility.

Comcast could locate this facility anywhere in the U.S. A cost comparison between Scio Township and Fort Wayne identified lower operational costs for labor (approximately \$150,000 per year) and electricity (approximately \$45,000 per year) in Indiana. In addition, the company would realize substantial corporate tax savings in Indiana because the facility is a non-revenue producing center. These savings are estimated at \$1-2 million per year.

Washtenaw Community College (WCC) has committed to a new training partnership that will substantially benefit Comcast. WCC will develop a five-week training program customized to Comcast's needs for training Technical Support Specialists, with continued program development by WCC for at least two additional years. The combined commitment from WCC could total up to \$30,000 over the next three years.

In addition, the partnership with the college will allow Comcast to save approximately \$250,000 in one-time facility costs as they will not have to construct a 1,200 square foot training center in their new building. Comcast will also realize a \$125,000 per year savings in training costs.

Scio Township is also providing a number of road infrastructure upgrades in the surrounding area that will benefit the Comcast Midwest Management site.

Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for fifteen (15) years for up to 400 net new jobs.

Board Discussion:

Beth Chappell gave the Executive Committee report and conveyed its recommendation to approve this project.

Doug Rothwell asked for questions from the Board. Hearing none, it was moved and supported and Resolution 2001-040 approving a MEGA Employment Credit for Comcast Midwest Management, Incorporated was adopted.

ACTION ITEM

*Integrated Sensing Systems, Incorporated
387 Airport Industrial Drive
Ypsilanti, Michigan 48198*

Jim Donaldson presented the project to the Board. He explained the company's absence due to participation in a press conference in Ann Arbor.

Integrated Sensing Systems, Inc. (ISSYS) was founded in 1995 and is a privately held Micro Electro Mechanical Systems (MEMS) design, development, manufacturing and application company. ISSYS has been recognized for its advanced research and development of medical products. ISSYS received a \$2.7 million award from the Michigan Life Science Corridor for its Micro-Coriolis research. Currently, ISSYS is located in Ypsilanti Township, where it has 14 employees.

ISSYS needs to expand its operations because of the growth in the MEMS field. ISSYS is proposing to lease additional space in Ypsilanti Township, adjacent to the space of its existing operations. The expansion would require an investment of \$5.3 million, including \$1.3 million in capitalized lease costs and building renovations and \$4 million for new machinery and equipment.

The project would include the addition of 119 new workers, including 10 in the first year of operation. The average weekly wage will be \$919, with a full benefit package. ISSYS would begin to expand into the office space as soon as renovations are completed, around November 2001.

We estimate this facility will generate a total of 242 jobs in the state by the year 2007. Net state government revenues through the year 2007 would be increased by \$3.7 million due to the presence of this facility.

ISSYS was founded in Michigan and, although it is proud of its location, it does face obstacles that could be avoided if located on the east or west coast. Specifically, ISSYS faces a shortage of high technology personnel in Michigan, the lack of a microelectronics industry, and limited access to venture capital and financial resources.

The ability to offset the additional personnel and infrastructure costs and to assist the company in overcoming financial obstacles will enable ISSYS to have continued success in Michigan.

The State of Michigan will provide the company with a 100 percent abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. This abatement is estimated to be worth \$41,500. In addition, the company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$25,400.

Ypsilanti Township has proposed a 50 percent abatement of the company's new personal property taxes. The Township has not finalized the abatement, however, assuming a five-year abatement, the estimated value of the local abatement totals \$163,700.

Recommendation

The Michigan Economic Development Corporation recommends a six-year MEGA employment credit of 75 percent for up to 119 net new jobs. Also, due to the necessity for the company to hire talented people when they are available, a 120-day look-back provision is recommended for this project.

Board Discussion:

Beth Chappell gave the Executive Committee report. The committee recommends approval of this project, provided that the local community approves the proposed 50 percent abatement of the company's personal property taxes related to the project for a period of five years.

Chairman Rothwell stated that the resolution will contain that language. Hearing no questions from the Board, it was moved and supported and Resolution 2001-041 approving a MEGA High Tech/Look Back Credit for Integrated Sensing Systems, Incorporated was adopted.

ACTION ITEM

*Eaton Hydraulics, Incorporated
2425 West Michigan Avenue
Jackson, Michigan 49202*

Jim Donaldson introduced Bob Davis from Eaton Hydraulics, Incorporated's facility in Jackson, Michigan.

Eaton Hydraulics, Incorporated (formerly Vickers, Inc.) was purchased in 1999 by Eaton Corporation, a diversified industrial manufacturer of highly engineered products to serve industrial, vehicle, commercial and aerospace markets. Eaton Hydraulics manufactures pneumatic and hydraulic cylinders and employs 142 workers in Blackman Township, Michigan.

Eaton Corporation has acquired another manufacturer of pneumatic and hydraulic cylinders located in Rockford, Illinois, and has decided to consolidate these two operations to control operating costs. Either the Jackson, Michigan or the Rockford, Illinois plant will be closed, with all work transferred to the remaining facility.

If Michigan wins the project, the company anticipates that up to 119 new full time jobs will be created at the Jackson facility. Average weekly wages will total \$625 as well as a benefit package equal to approximately 30 percent of wages. Capital investment at the Jackson facility would total \$5,409,000 over a three-year period as new production equipment is purchased and installed. The company anticipates moving quickly on this project and will have the entire 119 new employees on board by the end of 2002.

We estimate this facility will generate a total of 176 jobs in the state by the year 2011. Net state government revenues through the year 2011 would be increased by \$5.7 million due to the presence of this facility.

The company's analysis of operating costs for the facility in Rockford, Illinois was lower than Michigan's by an average \$240,000 per year due to lower wages and taxes. In addition, the State of Illinois has offered an incentive package to the company worth an estimated \$4 million. These incentives include tax credits and job training assistance.

While the Michigan incentive package being offered does not completely fill this gap, the company cited several reasons why the Michigan location has advantages. These include better delivery performance, better employee availability, more dependable financial performance, low labor turnover and the Jackson facility is further advanced in adopting the "lean manufacturing" process than the Rockford facility.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 119 new employees and \$500 for each of the current 142 employees, totaling \$190,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$100,440. Blackman Township will provide a 50 percent abatement of the company's personal property taxes for twelve years. The estimated value of this local abatement is \$422,244.

Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for ten years and a business activity credit of 100 percent for 10 years for up to 119 net new jobs.

Board Discussion:

Beth Chappell reported that the Executive Committee discussed this project and went over the figures carefully. The Executive Committee recommends Board approval.

Chairman Rothwell asked for questions from the Board. Hearing none, it was moved and supported and Resolution 2001-042 approving a MEGA Employment Tax Credit for Eaton Hydraulics, Incorporated was adopted.

ACTION ITEM

*Kraft Foods North America, Incorporated
275 Cliff Street
Battle Creek, Michigan 49016*

Val Hoag presented this project to the Board and introduced Luis Viso, Plant Manager of Kraft Foods in Battle Creek. Mr. Viso made a presentation to the Board.

Kraft Foods North America is an operating company of Kraft Foods, which is the largest branded food and beverage company in North America and the second largest worldwide, with brands sold in over 140 countries.

The Post Division of Kraft Foods North America has operated in Battle Creek, Michigan since 1895, when C.W. Post began the retail cereal industry. Today, Post Cereal's Battle Creek facility is the largest ready-to-eat cereal manufacturing plant in the world. It produces Grape-Nuts, Honey Bunches of Oats and Shredded Wheat.

The manufacturing facility in Battle Creek is the oldest of Post Cereal's facilities in North America. The Battle Creek facility has survived while newer facilities in Illinois, California, and Arkansas have been constructed with more efficient layouts. The five manufacturing buildings in Battle Creek were constructed in 1918, 1920, 1926, 1928, and 1937 respectively.

In order to remain competitive with other Kraft Food facilities, Battle Creek must maintain or increase long-term production volumes and achieve cost reductions. Kraft must make a significant financial commitment to upgrade buildings and equipment to compete with newer processing plants for new packaged food product lines.

The investments, to be implemented over a five-year period, include building reconstruction and renovation, process automation (equipment and controls), site utility upgrades and renovations, site infrastructure improvements and other eligible investments identified within the project scope. In total, the five-year project cost is \$76,250,000.

Failure to improve the facilities will lead Kraft to favor non-Michigan facilities when production-sourcing decisions are made. Lost production in Battle Creek would impact the 900-1,000 Post employees working at the site and have a significant financial impact on the surrounding area. Every year this facility purchases more than

90 percent of the 100 million pounds of white and red wheat from numerous Michigan farms. The project will also lead to a reinvestment in an aging facility in the City of Battle Creek and help to redevelop one of our distressed core communities.

The analysis of the net state revenue impact of the project is \$48.3 million. The analysis also shows that in addition to the 900 -1,000 jobs retained by Kraft, there will be an indirect employment impact of 1,291 jobs. Finally, the analysis shows that the project will lead to retention of more than \$667 million in personal income in the state and an additional \$24 million in new personal income due to the construction and renovations at the site.

The eligible investment to be undertaken by Kraft Foods includes:

Building Renovations	\$ 16,000,000
Site Improvements	25,250,000
-Boiler replacement	
-Water system improvements	
-Power distribution improvements	
New Equipment/Process Improvements	<u>35,000,000</u>
Project Total	\$ 76,250,000

As part of the redevelopment plan the Battle Creek Brownfield Redevelopment Authority has authorized \$1.5 million in tax increment financing (TIF) which would capture the local portion of the millage. No state funding will be forgone due to the action of the Authority. Additionally, as part of the TIF package, the Authority has also agreed to waive 100 percent of the brownfield administration costs. This will result in a \$120,000 savings to the company over eight years. Finally, the City of Battle Creek will offer a 12-year, 50 percent abatement of all planned investment by Kraft Foods. The total estimated value of this incentive is \$11,812,500.

The property is functionally obsolete and is located within the boundaries of a qualified local governmental unit. The project is the subject of a brownfield plan approved August 7, 2001, and Kraft Foods North America, Incorporated is a qualified taxpayer.

Craig DeNooyer asked whether the project was employment neutral. Luis Viso answered 'yes', that it would result in the retention of existing jobs.

Tom Schimpf clarified that a Brownfield credit could be granted based on a functionally obsolete building.

Recommendation

Awarding a SBT Brownfield Redevelopment credit will allow Post Cereals to improve and redevelop its aging Battle Creek facilities. The Michigan Economic Development Corporation recommends approval of a MEGA Brownfield Redevelopment Credit of

10 percent of the eligible investment in the Kraft Foods project, but no more than a \$7,625,000 credit.

Board Discussion:

Beth Chappell reported that the Executive Committee is pleased to recommend the Board's approval of this company's plans to upgrade.

After asking for further questions from the Board, and hearing none, it was moved and supported and Resolution 2001-043 approving a Brownfield Redevelopment Credit for Kraft Foods North America, Incorporated was adopted.

Steve Etzkorn, Senior Environmental Manager for Kraft, thanked the MEDC for their work in bringing this project to the Board.

ACTION ITEM

*Chrysler Financial Company, L.L.C.
1000 Chrysler Drive, CIMS 485-12-30
Auburn Hills, Michigan 48326-2766*

Jim Donaldson presented the amendment. In December 1999, the MEGA Board approved a tax credit for Chrysler Financial Company for a project to consolidate various out of state operations into Michigan and the construction of a new headquarters facility in Auburn Hills, Michigan. The MEGA Tax Credit Agreement was executed in March 2000 and the company had a groundbreaking ceremony at the site in October 2000. Later in that year, the parent company, DaimlerChrysler Corporation, announced a major turnaround plan that included the layoff of thousands of DaimlerChrysler employees.

DaimlerChrysler determined that the construction of a new facility to house Chrysler Financial would be put on indefinite hold. The company had, however, already begun the process of closing out-of-state operations and consolidating them into Michigan and, as of March 31, 2001 had already created 224 new jobs in Michigan.

Since that time, Chrysler Financial has been trying to identify long-term housing alternatives for the newly consolidated group, since its current lease of an office building in Southfield was expiring. The company has identified a building in Farmington Hills that will accommodate present and future organizational plans and has requested an amendment to its credit to allow moving the project to Farmington Hills.

Jim Paquet discussed the legal and policy basis for the amendment. The Chrysler amendment is the first that proposes to amend the amount and duration of a credit based on changes in the project, after a tax credit agreement between the MEGA and a company has been executed. Historically, the Board has only amended credits after a

tax credit agreement has been signed: 1) to correct good faith errors made in establishing the terms of a credit; 2) to extend the time period in which a company may comply with the minimum requirements of a credit; and 3) to transfer credits when identity of the taxpayer operating a project changes because of a merger, acquisition, or corporate restructuring.

The Mega Act provides a two-tiered set of criteria that must be met in awarding a MEGA tax credit. The first tier includes minimum requirements that must be met by any project receiving a credit. Those criteria are set forth in Section 8(1) of the Act and include among others; the number of jobs to be created, the maintenance of the existing base jobs, a commitment from the local government to the project, and the need for the tax credit to address competitive disadvantages of locating the project in Michigan rather than another state. These are threshold criteria that must be met before a tax credit may be considered by the Board.

The second tier criteria are set forth in Section 8(2) and establish the factors the Board must consider in determining the amount and duration of the tax credits authorized for a project. Those factors include:

- a) The number of jobs to be created or retained.
- b) The average wage level paid for the new jobs.
- c) The total capital investment the business will make.
- d) The cost differential between locating in Michigan or a site outside the state.
- e) The impact of the project on the economy.
- f) The cost of the credit, the assistance provided by the local government, and the value of other assistance provided by the state.

After the amount and duration of the credit have been determined, the MEGA enters into a written agreement that pursuant to Section 8(3) includes:

- a) A description of the business expansion that is the subject of the credit.
- b) Conditions upon which the authorized business designation is made.
- c) A statement by the eligible business that a violation of the written agreement may result in the loss or reduction of future credits.

Implicit in the language that a violation of a written agreement may result in the loss or reduction of a credit, is an element of Board discretion.

Staff believes, and the Attorney General concurs, that once a project has met the threshold requirements of the Act for a tax credit, and assuming that those requirements that are continuing, are still met, the Board has the discretion to amend the amount and duration of a tax credit award based on the same factors that must be considered in establishing the original credit.

Amendments of the type being proposed to the Chrysler credit are intended to "rebalance the scales", adjusting the value of the tax credit in the context of changes in:

1) the scale of a project as measured by job creation and/or capital investment; 2) expected benefits to the state from a project; and 3) the project location, and the commitment of local and other state resources to the project.

It must be emphasized that the basic nature of the project has not changed. To take the Chrysler Financial project as an example, DaimlerChrysler will still locate its consolidated finance operations in Michigan. The project will result in the transfer of jobs to the state and the creation of additional new jobs.

Changes to the project from those originally approved by the Board include:

A change in the capital investment from the original amount of \$77 million to a current amount of \$52 million.

Relocation of the project to an existing building in Farmington Hills.

The local commitment of \$1.9 million for road improvements by the City of Auburn Hills has been changed to a commitment of up to \$1 million by the City of Farmington Hills for road improvements just east of the project site which will improve traffic flow, utility improvements, and ombudsman services.

The recommended credit is being changed from 75% of the employment credit for up to 1,294 net new jobs for 19 years to 75% of the employment credit for up to 1,294 net new jobs for 17 years. Two years of the credit were taken off to make up for a decrease in the company's capital investment. We estimate that this will take \$9 million off the total value of the company's anticipated credit.

The Average Weekly Wage would not change from the original \$1240.

The cost differential between a Michigan site and the New York City or Norwalk CT site would not be affected by the move from Auburn Hills to Farmington Hills.

A new REMI analysis was conducted and shows that the changes to the project will result in a change in job numbers from 3,514 total jobs in the original analysis to 3,699 in the revised; a change in cost to the state from \$40,072,000 to \$39,566,000; and a change in the net positive revenue impact to the state from the original amount of \$599,391,000 to \$567,171,000 in the current scenario.

Recommendation

The Michigan Economic Development Corporation recommends MEGA Board approval of these changes to the Agreement with Chrysler Financial Company, LLC, as it believes the company proceeded in good faith to follow through with the terms of its agreement by closing out-of-state facilities and consolidating them into Michigan.

Board Discussion

Jackie Shinn had a question about the local commitment for road improvement.

Steve Brock with the City of Farmington Hills discussed the city's \$1 million commitment for road improvements and stated that the Chrysler Financial Company move would not take place without these improvements.

Craig DeNooyer asked whether the company's savings of \$25 million was taken into account in the revised credit. Linda Dankoff offered that the ratio of the company's investment to the MEGA cost was maintained.

Discussion was heard regarding the original proposed investment by the company and the slow growth that has been experienced by the company. Because of the slowed growth, the cost of the credit would be less than the maximum number of jobs eligible for the credit would imply.

Beth Chappell gave the Executive Committee report. She indicated that the company was proceeding in good faith. She asked whether the recommended reduction in the credit was commensurate with the company's reduction in projected growth. After being assured that it was, she recommended Board approval of the proposed amendment.

Hearing no further questions from the Board, it was moved and supported and Resolution 2001-044 approving an amendment of the MEGA Tax Credit for Chrysler Financial Company, L.L.C. was adopted.

ACTION ITEM

*Quicken Loans, Incorporated
20555 Victor Parkway
Livonia, Michigan 48152*

Jim Paquet discussed the requested transfer of tax credit. In December of 2000, the MEGA authorized a Business Activity Credit of 75 percent for seven years and an Employment Tax Credit of 75 percent for seven years to Quicken Loans, Incorporated for establishing a call center in Livonia to sell and service mortgages. The company projected the addition of 515 jobs over a three year period.

Quicken has moved into its leased facility and has created 79 jobs that pay an average weekly wage of \$1,117.

Quicken Loans, Incorporated is a wholly owned subsidiary of Intuit, Incorporated which is headquartered in California. For a variety of business reasons, it is Intuit's corporate policy to be the employer of record at its various subsidiaries. As a result, the personnel associated with the Quicken Loans project have been transferred to the Intuit payroll.

Quicken Loans, Incorporated has requested the transfer of its MEGA Tax Credit to Intuit, Incorporated so that Intuit may receive the benefit of the credit. Because the jobs of Intuit were included in the original jobs base established for the Quicken Loans, Incorporated credit, no changes in the terms of the credit are needed in connection with the transfer.

Recommendation

The Michigan Economic Development Corporation recommends that the MEGA Board agree to transfer the Quicken Loans, Incorporated tax credit to Intuit, Incorporated. The recommended transfer effective date is July 31, 2001 to allow Intuit to take the first year of the credit in its 2000 tax year

Board Discussion

Beth Chappell gave the report of the Executive Committee and recommended approval of the transfer of credit.

Hearing no questions from the Board, motion was moved and supported and Resolution 2001-045 approving a transfer of the MEGA Tax Credit for Quicken Loans, Incorporated to Intuit, Incorporated was adopted.

Mark Morante, Vice President of MEDC Development Finance, announced that he would be leading a tour of the new MEDC building for interested Board members at the adjournment of this meeting.

The meeting was adjourned at 12:30 p.m.

TRANSPORTATION
COMMISSION

BARTON W. LABELLE, Chairman
JACK L. GINGRASS, Vice Chairman
LOWELL B. JACKSON
BETTY JEAN AWREY
TED B. WAHBY
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STATE OF MICHIGAN



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TRANSPORTATION BUILDING, 425 WEST OTTAWA POST OFFICE BOX 30050, LANSING, MICHIGAN 48909

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GREGORY J. ROSINE, DIRECTOR

January 8, 2001

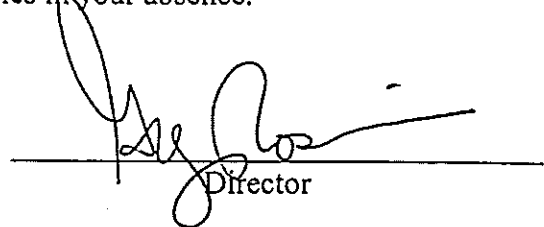
TO: Philip F. Kazmierski, Deputy Director
Bureau of Urban and Public Transportation

FROM: Gregory J. Rosine
Director

RE: Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the MEGA board meetings when I am unable to attend.

I appoint Jackie Shinn to assume these responsibilities in your absence.



Director

cc: Doug Rothwell, Director
Michigan Economic Development Corporation
Jackie Shinn