



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: September 23, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director *VH*
Portfolio Management & Packaging

Amy Deprez, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Post It Stables, Inc.
MEGA Tourism Credit (Look-Back) &
Brownfield Redevelopment MBT Tax Credit

COMPANY NAME:

Post It Stables, Inc.
100 West Long Lake Road, Suite 210
Bloomfield Hills, Michigan 48302

HISTORY OF COMPANY:

Pinnacle Race Course is a development designed to bring thoroughbred horse racing back to Michigan in the Pinnacle Aeropark area, south of the Detroit Metropolitan Wayne County Airport. Post It Stables, Inc. is the developer of this operation and has experience in the development, operation and management of a track in connection with its previous ownership of Great Lakes Downs in Muskegon, Michigan. It invested millions of dollars in the form of acquisition costs, capital improvements and otherwise at Great Lakes Downs, prior to selling its interests in that track. Shareholders, Jerry Campbell and Felicia Campbell, have experience in racing, banking and finance, training, breeding and thoroughbreds respectively.

Currently, the operation directly employs 73 full-time associates in Michigan, as well as additional part-time associates and is responsible for numerous indirect jobs in conjunction with the racetrack.

PROJECT DESCRIPTION:

The project consists of the development of 240 acres of a 320-acre site owned by Wayne County at the corner of Sibley and Vining Roads in Huron Township. The development will be an entertainment destination featuring thoroughbred horse racing, as well as other family-friendly equestrian events. Pinnacle Race Course will feature a one mile track, grandstands, picnic area, clubhouse, horse barns, and grooms' quarters.

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The development will be done in three (3) phases. The initial phase started in April 2008 to accommodate the summer 2008 race season and included approximately \$24 million in investment to relocate three drains and work on the initial track and surrounding facilities. Phase 2, anticipated to begin in the fourth quarter of 2008 and be completed in late 2009, will include the construction of a second (turf) track, additional horse barns, grooms' quarters, jockeys' quarters, site improvements, additional infrastructure and other facilities. Approximately \$28 million is expected to be invested in Phase 2.

Phase 3, proposed to commence in 2009 or 2010 and be completed by 2011, would include construction of additional grandstands and a large clubhouse resulting in an additional \$20 million in capital investment. Upon the completion of all the phases, total capacity at the Race Course is anticipated to be approximately 8,000 fans.

Total investment for this project is anticipated to be approximately \$72 million over all the phases and will result in the onsite employment of over 700 people during the race season, of which up to 71 people will be employed full-time by Post It Stables, Inc. or its affiliate, Post It Stables Hospitality, LLC. The positions will pay an average weekly wage of \$629. The additional job creation will be by other parties in support of the track, such as horse owners, jockeys, trainers, blacksmiths, onsite suppliers, and other independent contractors.

The company will also offer health care benefits and pay a portion of the benefit costs.

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 102 jobs in the state by the year 2018. We also estimate that the project would create total state government revenues through the year 2018, net of MEGA cost and adjusted for inflation, of \$5.5 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

The site presents significant design and construction challenges not found at all sites, including those outside of Michigan. Significant expense will be incurred on site preparation, development and construction costs to relocate existing county drains and implement additional site and construction requirements due to the shallow water table on the property.

TOURISM QUALIFICATION:

This project is eligible as a Tourism project under the tourist attraction facility definition and proposes that it will attract tourists and will offer a unique experience to attendees.

Pinnacle Race Course is expected to reestablish Michigan as a destination for thoroughbred horse racing and attract both horse owners and guests from throughout the Midwest. Currently, there is not any thoroughbred racing facilities in the State since

the Great Lakes Downs in Muskegon closed last fall. Pinnacle Race Course is expected to draw positive, national attention to Michigan by hosting a preparatory race, the Michigan Derby, prior to the Kentucky Derby.

The project will include more than traditional thoroughbred horse racing. It will provide unique family entertainment by including many equestrian and horse-jumping events, as well as educational opportunities in the form of equine-education seminars, classes, field trips, and tours.

BROWNFIELD PROJECT ELIGIBILITY:

The project is located within the boundaries of Huron Township, Wayne County, and has been deemed a facility as verified by the Department of Environmental Quality. Huron Township is not a "qualified local governmental unit", however the property is owned by the Wayne County Land Bank and qualifies as a facility which makes it eligible for brownfield credits. The property is the subject of a Brownfield plan, duly approved by the County of Wayne on April 15, 2008, and was concurred with Huron Township on April 9, 2008.

BROWNFIELD ANALYSIS:

Brownfield MBT Credits are based on several criteria outlined in the statute. These are discussed below.

The overall benefit to the public:

Development of the vacant 240 acre site into an entertainment destination will anchor further economic expansion in the void that currently surrounds the Detroit Metropolitan Wayne County Airport because it will create a consumer base. The public will benefit through the creation of jobs, taxes, and other retail and commercial opportunities attracted to the area.

The extent of reuse of vacant buildings and redevelopment of blighted property:

The property is largely vacant; however, the site will require the demolition of abandoned and dilapidated buildings, removal of house foundations and limited soil removal to address soil contamination.

Creation of jobs:

The investment creates approximately 71 direct new full-time positions at Post It Stables or Post It Stables Hospitality, LLC. The positions will pay an average weekly wage of \$629. Additional job creation will result from other parties in support of the track, such as horse owners, jockeys, trainers, blacksmiths, onsite suppliers, and other independent contractors.

Whether the eligible property is an area of high unemployment:

The County of Wayne's unadjusted unemployment rate was 10.9% in July 2008. This compares to the statewide seasonally adjusted average of 8.5% in July 2008.

The level and extent of contamination alleviated by the qualified taxpayer's eligible investment to the extent known to the qualified taxpayer:

The parcel under consideration for this request has soil impacted with VOCs in concentrations that exceed the Part 201 generic cleanup criteria and suspected impacted sediment in multiple locations, which qualifies the parcel as a facility. Remediation costs are projected to be approximately \$75,000 to \$100,000 and due care costs have not yet been determined, but are not expected to materially impact the overall project costs.

The level of private sector contribution:

The company is investing over \$72 million in this project.

The cost gap that exists between the site and a similar Greenfield site as determined by the Michigan Economic Growth Authority:

A portion of the project site is impacted by the Wayne County noise mitigation program, which subjects it to use restrictions designed to ensure that future uses are compatible with the noise levels associated with operation of the Airport. This noise mitigation restriction limits the potential uses for the site.

Other Brownfield related issues connected with this site include removal of house foundations and limited soil removal to contain soil contamination.

If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a Brownfield:

No other Brownfield site will be created as a result of this project.

Whether the project of the developer, landowner, or corporate entity is financially and economically sound:

A financial review was conducted by staff and confirms that this company has the financial wherewithal to take on this project and that the project is economically sound. Phase 1 financing is partially secured and the company has a plan identified for the financing to complete the remaining phases.

Any other criteria that the Michigan Economic Growth Authority considers appropriate for the determination of eligibility:

Prior to this project, there has not been any thoroughbred racing facilities in the state since the closure of Great Lakes Downs in Muskegon. Without the race park, workers associated with thoroughbred racing will be negatively impacted. The park is expected to draw national exposure with the hosting of a preparatory race, the Michigan Derby, prior to the Kentucky Derby.

OTHER STATE AND OTHER LOCAL ASSISTANCE:

Both Huron Township and Wayne County are enthusiastic and supportive of this project and have either already approved or anticipate the following support. Wayne County is expected to issue \$28 to \$30 million in public infrastructure bonds or otherwise finance the off-site infrastructure necessary to service the 320-acre site. Wayne County is also considering the issuance of \$7 million in revenue bonds to support on-site infrastructure.

Additionally, state and local tax capture, through the use of Tax Increment Financing, was approved for this project in April of this year in the amount of \$41,635,750.

ELIGIBLE INVESTMENT BREAKDOWN:

The eligible investment to be undertaken by Post It Stables, Inc. includes:

Phase I

Site Improvements	\$ 4,000,000
New Construction	\$ 6,000,000
Addition of Machinery & Equipment	\$ 1,000,000
	<u>\$ 11,000,000</u>

Phase II

Site Improvements	\$ 10,000,000
New Construction	\$ 18,000,000
	<u>\$ 28,000,000</u>

Phase III

New Construction	\$ 16,000,000
	<u>\$ 11,000,000</u>

Total Eligible Investment: \$55,000,000

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent tourism employment tax credit for 10 years for up to 71 net new employees with a 90 day look back on the newly created jobs, provided that the combined total of the MEGA and Brownfield incentive package does not exceed \$6.5 million. If the \$6.5 million threshold is realized prior to the expiration of the MEGA credit years awarded, the remaining credit years will be forfeited.

In addition, the Brownfield Redevelopment staff recommends a MEGA MBT Brownfield Redevelopment Credit of 12.5% of the eligible investment, not to exceed a \$5,300,000 credit.