

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on January 20, 2004, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

David Hollister

Donald Jakeway

Faye Nelson

Jay Rising

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

Others Present

Peter Anastor, MEDC

Amy Banninga, MEDC

Bruce Babiarz, Barton Malow

Kathy Blake, Sr. V.P., MEDC

John Byl, Warner, Norcross & Judd

John Czamecki, MEDC

Jim Donaldson, MEDC

Christine Gibbons, CFO, Sensicore, Inc.

Doug Gulker, President, Fusion Properties

Carol Knobloch Johns, MEDC

Jim McBryde, MEDC

Susan McCormick, MEDC

Mark Morante, MEDC

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Martha Richardson, CFO, Fusion Properties

Matthew Rick, Assistant Attorney General

Jeff Sands, MEDC

Donna Shirilla, Washtenaw Development Council

Vern Taylor, MEDC

Call to Order

David Hollister called the meeting to order at 10:05 a.m.

Approval of Minutes from December 16, 2003

A motion was made, supported and carried that the minutes from the December 16, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Sensicore, Inc.
745 Phoenix Drive
Ann Arbor, Michigan 48108*

Jim Donaldson began by introducing Christine Gibbons from Sensicore, who explained the project and technology being developed at the company. The company is located in Ann Arbor and has developed an innovative lab-on-a-chip multi-sensor device, incorporating micro-sensor technology for a wide variety of water and wastewater applications. The applications for the product include process control and environmental monitoring. The company currently has 15 employees in Ann Arbor.

Over the past three years, Sensicore has worked to develop the lab-on-a-chip technology into a prototype. The company is now poised to scale-up the manufacturing of the product. The company would expand its operations in Ann Arbor by leasing additional space in the building it currently occupies. The expansion would create 35 new jobs in the first year of the project and up to 156 new jobs over five years. The new positions will pay an average weekly wage of \$995.

David Hollister asked whether the company intends to be an assembly operation for the technology, or a manufacturer, or both. Ms. Gibbons explained that the company intends to manufacture the silicon chips and be involved with finalization and testing of the devices, but that another contractor will be involved with assembly of the units.

Total capital investment for the project would be approximately \$4.7 million, including \$1.9 million for capitalized lease costs and leasehold improvements, and \$2.8 million for new machinery and equipment.

It is estimated that this facility will generate a total of 338 jobs in the state by the year 2011. Total state government revenues through the year 2011, would be increased by \$8.2 million due to the presence of this facility.

Sensicore is also considering locations in New Jersey due to a coastal bias of the new investors and the location of the CEO's residence. The cost differential between Michigan and New Jersey is due to the costs of recruiting workers to Michigan. The company estimates that it will have to spend \$370,000 over the next three years to recruit candidates to Michigan. In addition, the company would have to pay a salary premium that could total as much as \$600,000 per year, once the project is fully staffed. Finally, the company would have lower lease costs in New Jersey due to the greater availability of existing buildings with wet-lab space.

Mr. Hollister asked how the City of Ann Arbor intends to support the project. Ms. Gibbons explained that the City of Ann Arbor Water Plant has agreed to work with

Sensicore to assist the company with market and technology validation testing and information. The support of the water plant will save Sensicore approximately \$14,600 in the first year of the project, and potentially \$73,000 over the next five years.

Recommendation

The Michigan Economic Development Corporation recommends an eight-year employment tax credit consisting of 100 percent for the initial four years, 75 percent for the fifth and sixth year, and 50 percent for the final two years, for up to 156 net new employees.

Board Discussion

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

Hearing no further discussion, a motion was made and supported, and Resolution 2004-01, approving a MEGA tax credit for Sensicore, Inc. was adopted.

ACTION ITEM

*City of Holland Brownfield Redevelopment Authority
270 South River Avenue
Holland, Michigan 49423*

John Czarniecki introduced John Byl, who introduced Martha Richardson and Doug Gulker from Fusion Properties. Mr. Byl explained the speculative nature of the venture and the demolition required to achieve the developers' objective.

In 2002, the Kraft Lifesavers Plant in Holland was closed abandoning a building of approximately 400,000 square feet. The building was segmented into 15,000-20,000 square foot sections to allow each line of candy production to be self-contained. The size of the building, combined with the unique layout, has discouraged its reuse.

In August, 2003, Fusion Properties purchased the building with the intention of removing the interior walls and reconfiguring the space to accommodate several businesses needing 35,000 to 125,000 square feet.

The cost of this internal demolition was prohibitive, which prompted the pursuit of this Work Plan request.

The forecasted investment in the project is largely the result of anticipated personal property investments made by potential tenants; an estimated \$2.5 million in private investment in personal property.

The Work Plan request seeks approval of \$1,120,194 in property tax capture to cover demolition, asbestos removal, interest, and brownfield administrative expenses. The

project is applying for P.A. 198 industrial tax abatement and future tenants are likely to apply for brownfield SBT credits.

With the property tax abatement, there are 27.1172 mills available for capture, with school millage equaling 15 mills (55.3%) and local millage equaling 12.1174 mills (44.7%). The tax capture breaks down as follows:

School tax capture	\$ 619,467
Local tax capture	<u>500,727</u>
	\$1,120,194

Project costs include:

Demolition	\$ 750,000
Asbestos Removal	25,000
Work Plan Preparation & MEGA Administration	<u>6,000</u>
Subtotal	\$ 781,000
Contingency (15%)	\$ 117,150
Interest	<u>222,044</u>
Total	\$1,120,194

The property, formerly used for commercial purposes, is a facility and is located within the boundaries of the City of Holland, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on June 18, 2003, by the Holland City Council.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture of up to \$496,677 for the demolition, asbestos abatement and administrative activities described above.

Board Discussion

Discussion was heard regarding the difference in the amount of tax capture requested and the amount recommended by MEDC staff. Cullen DuBose asked whether Lifesavers is responsible for clean-up of contamination on the site. Mr. Byl said 'yes'.

Mr. DuBose questioned whether, if the developer were able to include the cost of the clean-up in the budget, would he be able to qualify for the requested amount of tax capture. John Czarnicki and Vern Taylor responded, discussing the fact that because there is a responsible party, the Department of Environmental Quality (DEQ) will not allow tax capture for environmental clean-up activities in that case.

Mr. Jakeway asked when we would have a legal opinion on the inclusion of financing costs. Vern and Matthew Rick responded, saying that it would take approximately one month and that an amendment to this request for Work Plan approval could follow.

Faye Nelson gave the Executive Committee report and recommended approval of the Work Plan. Hearing no further discussion, a motion was made and supported and Resolution 2004-02, approving the capture of school operating taxes for the City of Holland's project at East 48th Street, was adopted.

ACTION ITEM

*Ford Motor Company
One American Road
Dearborn, Michigan 48126*

In November of 2000, the MEGA adopted Resolution 2000-038, approving a retention tax credit for Ford Motor Company for redevelopment of the Rouge Center complex in Dearborn. The project included construction of a new assembly plant. The company signed a tax credit agreement on December 21, 2000. In the agreement, the company committed to investing \$250 million and retaining at least 500 jobs no later than December 31, 2003.

Since then, Ford has invested nearly \$1 billion in the project and has completed construction of a state-of-the-art assembly plant which will be open for public tours this summer. However, market conditions delayed the launch of the F-Series truck line originally scheduled for November of 2002. As a result, it will take longer than expected to ramp-up to the 500 jobs required to qualify for the credit. The company expects to meet the minimum job requirement in February of this year.

Ford has requested an extension of its December 31, 2003 anniversary date to June 30, 2004. The additional time will allow it to qualify for the tax credit and provides a safety margin if there are unanticipated delays.

Recommendation

Staff recommends that the anniversary date be extended but that the original schedule of the tax years in which the company is eligible for the credit, remain unchanged. As a result, the company will lose one year of the credit.

Board Discussion

Faye Nelson gave the Executive Committee report and recommended support of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-03, approving an anniversary date extension to June 30, 2004, for Ford Motor Company, was adopted.

ACTION ITEM

*Lear Corporation Mendon
21557 Telegraph Road
Southfield, Michigan 48086*

Jim Paquet explained the company's request for amendment. In June of 2002, the MEGA adopted Resolution 2002-15 approving tax credits for Lear Corporation Mendon for expansion of its manufacturing facility in Mendon, St. Joseph County. The company signed a tax credit agreement on June 18, 2002. In the agreement, the company committed to creating at least 75 new jobs by December 31, 2003.

Since then, the company renovated and equipped the facility with more than \$5 million worth of machinery and equipment. It has maintained its base employment level of 681 jobs and has created 45 new jobs. The new jobs pay an average weekly wage of \$578, exceeding the \$526 in average weekly wages required to qualify for the credit.

The company has not created the minimum of 75 new jobs required by the agreement because of delays in Ford contracts, which were the basis for the Mendon expansion. The company has requested a six month extension of its anniversary date from December 31, 2003, to June 30, 2004, to allow it to qualify for the tax credit.

Recommendation

Staff recommends that the MEGA agree to amend the Lear Corporation Mendon tax credit to extend the anniversary date to June 30, 2004, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

Board Discussion

Faye Nelson gave the Executive Committee report. Mr. Garcia reported that the Executive Committee reviewed the request and recommends approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-04, approving an extension of the anniversary date to June 30, 2004 for Lear Corporation Mendon, was adopted.

ACTION ITEM

*AGC America, Inc.
2201 Water Ridge Parkway, Suite 400
Charlotte, North Carolina 28217*

Jim Paquet explained the company's request for amendment of their average weekly wage. On July 12, 2000 the MEGA Board adopted Resolution 2000-021, approving tax credits for AGC America, Inc., for construction of a technical center in Ypsilanti Township, Washtenaw County. The Company executed a MEGA Tax Credit

Agreement on September 11, 2000. The agreement requires the company to pay an average weekly wage of \$1,899.

Since the credit was authorized, the company has completed construction of one facility and invested \$5.6 million, exceeding the \$4.5 million it had projected. Construction is almost complete on a second facility involving an additional investment of \$5.3 million in construction and equipment. At the end of 2003, the company had created 20 new jobs paying an average weekly wage of \$1,737.

The wages paid have fallen short of the wages projected at the time the project was approved because Michigan residents have been hired in place of Japanese nationals who would have commanded higher compensation for being on foreign assignment. The practice of hiring less expensive local talent is expected to continue as new jobs are added.

Recommendation

The company has requested a reduction in the average weekly wage required to qualify for the credit from \$1,899 to \$1,442 per week. Staff is recommending that the amendment be approved. Staff believes that the replacement of expatriates by resident labor with the same skill set is a positive development. Although wages could be reduced by as much as 24 percent, the revised average weekly wage will still be in the top seven percent of all MEGA projects. Finally, staff would have recommended the approval of the original credit at the average weekly wage of \$1,442.

Board Discussion

Ms. Nelson gave the Executive Committee report and recommended approval of the requested amendment.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-05, approving an amendment of the average weekly wage amount for AGC America, Inc., was adopted.

The meeting was adjourned at 10:35 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, February 17, 2004.