

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on July 13, 2004, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

David Hollister

Donald Jakeway

Jay Rising

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

Others Present

Karen Ammarman, MEDC

Peter Anastor, MEDC

Ronald Anderson, The Delfield Company

Roger Andrzejewski, Lacks Industries

Amy Banninga, MEDC

Polly Bashore, Manager, GM Powertrain Division

Kathy Blake, Sr. VP Business Development, MEDC

Candace Butler, GM

Katherine Castillo, Guardian Fiberglass, Inc.

Rick Chapla, The Right Place, Inc.

Mark Chilcott, Chilcott Development Services, LLC

John Czarnecki, MEDC

Matt Darby, Haworth, Inc.

Jim Donaldson, MEDC

Brenda Flory, MEDC

Cynthia Grubbs, MEDC

Ulrich Herter, CEO, INCAT

Birgit Klohs, The Right Place, Inc.

Carol Knobloch Johns, MEDC

Cal Kreuze, CFO, Haworth, Inc.

David Kurtycz, MEDC

David Levitt, Midtowne Village LLC

Jim McBryde, MEDC

Susan McCormick, MEDC

Jack Marcusse, Haworth, Inc.

Mark Morante, MEDC

Kirk Neff, Lacks Industries

Clay Pearson, City of Novi

Mike Pohnl, MEDC

Ed Reed, MEDC

Tom Schimpf, Attorney General's Office

Mike Shore, MEDC
Jonathan Scott, Mecosta County Development Corp.
Joseph Sproles, GM
Vern Taylor, MEDC
Randy Thelen, Lakeshore Advantage
Charles M. Tucker, Pontiac Growth Group
Soren Wolff, Holland City Manager
Susan Wray, Haworth, Inc.

Call to Order

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

Approval of Minutes from June 15, 2004

A motion was made, supported and carried that the minutes from the June 15, 2004 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

*Haworth, Inc.
One Haworth Center
Holland, Michigan 49423*

Jim Donaldson began the presentation by introducing representatives from Haworth, Inc.; Cal Kreuze, Matt Darby, and Jack Marcusse, as well as Soren Wolff, Holland's City Manager, Jonathan Scott from Mecosta County Development Corporation, and Randy Thelen with Lakeshore Advantage. Mr. Kreuze explained why the proposed expansion is needed.

Haworth, Inc. has been based in Michigan for 50-plus years as a manufacturer of office furniture and related office facility components. Haworth has business operations in 18 countries and manufacturing facilities in 10 countries, with 14 manufacturing facilities in the United States and nine in Michigan. In 2003, sales for the company were \$1.2 billion. In total, the company employs approximately 9,000 employees, with over 2,400 at eight locations in Michigan, including the headquarters in Holland.

Haworth is expecting a recovery in the office furniture industry and despite several plant closures in recent years, it still has excess capacity. The company would like to further consolidate its operations to take advantage of productivity and efficiency gains in the past couple of years. This project would include the consolidation of four out-of-state manufacturing and distribution facilities to Michigan. Those facilities include Jonesboro,

Arkansas; Henderson, Texas; Hazelton, Pennsylvania; and Lincolnton, North Carolina. In addition, Haworth would move forward on a major reconstruction of its headquarters facility in Holland. The current facility, which is 25 years old, is not the type of office furniture showroom facility the company desires.

The consolidation of functions into existing facilities in Holland, Allegan and Big Rapids will allow Haworth to add 185 new jobs in the first year of the project and up to 1,000 total new jobs over the life of the requested tax credit. The new positions would pay an average starting weekly wage of \$436.

The project would require an investment of \$42.7 million, including \$30 million for building renovations and new office furniture and systems at the headquarters in Holland, and \$12.7 million for new machinery and equipment at the manufacturing facilities in Holland, Allegan and Big Rapids.

It is estimated that this facility will create a total of 2,414 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, of \$87.6 million due to the location of this facility.

As an alternative to consolidation of manufacturing and distribution operations in Michigan, Haworth considered consolidating operations at their Jonesboro, Arkansas facility. The Jonesboro facility is a modern and efficient 650,000 square feet facility that is only five years old. If Haworth consolidated operations at this facility, the company estimates they would save approximately 20 percent on wage and benefit costs, saving the company approximately \$5 million per year when the project was fully implemented. In addition, the company has been granted tax credits in Arkansas that they will relinquish when that facility is closed.

In addition to the standard MEGA credits, the company has been offered a Distressed MEGA credit for the next three years. Distressed credits can be awarded to companies with 150 or more employees, who have lost at least 30 percent of their workforce in any three year period in the past four years. Haworth meets the criteria and is eligible for a credit for up to 800 new and retained jobs. The estimated value of this credit is \$475,200.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 600 new production workers, or up to \$300,000. In addition, the State will provide 100 percent abatement of the six-mill State Education Tax for a period of time that matches the approved local property tax abatements in Holland, Allegan and Big Rapids. The estimated combined value of the abatements for all three municipalities is \$913,100.

The City of Holland has proposed PA328 and PA198 property tax abatements on the new investment for the project, both for 12 years. The PA328 abatement would be for the new personal property and is estimated to be valued at \$2.3 million, including \$263,700 in State Education Tax abatement. The PA198 abatement would be applied

to real property improvements and is estimated to be valued at \$3 million. The PA328 tax abatement is expected to be finalized on August 4, 2004. The PA198 abatement will be approved once final building renovation plans are complete.

The City of Big Rapids has proposed PA198 property tax abatement for 12 years on the new personal property being invested in the community. The estimated value of this abatement is \$500,500. The abatement is expected to be finalized by mid August.

The City of Allegan has proposed PA198 property tax abatement for 12 years on the new personal property being invested in the community. The estimated value of this abatement is \$100,700. The abatement is expected to be finalized by mid August.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for up to 1,000 net new employees and a 100 percent business activity credit, both for 12 years.

The Michigan Economic Development Corporations also recommends a 25 percent distressed MEGA credit for up to 800 new and retained jobs for three years.

Board Discussion

Bo Garcia gave the Executive Committee report. On behalf of the Executive Committee, Mr. Garcia recommended approval of the requested tax credits. Hearing no further discussion, a motion was made and supported and Resolution 2004-37, authorizing a Standard MEGA tax credit along with a Distressed Business Credit for Haworth, Inc., was adopted.

ACTION ITEM

*Lacks Enterprises Inc.
5460 Cascade Road
Grand Rapids, Michigan 49546*

Lacks Enterprises, Inc. is a privately owned global manufacturer. The company is a leading supplier to the automotive, telecommunications and consumer electronics markets. Founded in 1961, Lacks employs 1,744 in the state. Jim Donaldson introduced Kirk Neff and Roger Andrzejewski from Lacks Industries, and Birgit Klohs from The Right Place, Inc. Mr. Andrzejewski discussed the proposed expansion project.

The company is comprised of three distinct business operations: Lacks Wheel Trim Systems, Inc., a Tier I full-service supplier of automotive wheel components and systems; Lacks Trim Systems, a provider of complex, highly decorated components and systems for the exterior and interior automotive trim market; and Plastic-Plate, Inc.,

specialists in plastic molding, plating, painting and shielding for the telecommunications and consumer electronics industries.

Lacks is proposing expansions of its operations in the City of Kentwood. The expansions will be undertaken in five phases with investment totaling \$51 million, and creating 424 jobs over the first five years of operations. The project will result in the construction of a new plating facility, new distribution center, new molding facility, and additions to molding and assembly operations.

Phase I will require the investment of \$17.5 million, and will create 182 jobs. Phase I will be completed in the summer of 2005, with operations beginning in August of 2005.

It is estimated that this facility will create a total of 816 jobs in the state by the year 2011. We also estimate that the project would create total state government revenues through the year 2011, of \$14.5 million due to the location of this facility.

The company is also considering Elkhart, Indiana and Fountain Inn, South Carolina for this project. Indiana is offering an incentive package that includes the EDGE and Hoosier Business credit and training assistance. After considering these incentives, costs in Indiana are \$1 million lower per year than in Michigan.

The City of Kentwood is expected to approve a 50 percent abatement of the company's new real and personal property taxes at its July, 2004 city council meeting. It is expected that taxes on new real property will be abated for 12 years, and new personal property for eight years. Over 12 years, this tax abatement has an estimated value of \$1.2 million for Phase I, and \$4.3 million for all phases of the project.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for six years, for up to 424 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. Mr. Garcia recommended approval of the requested tax credit. Hearing no further discussion, a motion was made and supported, and Resolution 2004-38, authorizing a Standard MEGA tax credit for Lacks Industries, Inc., was adopted.

ACTION ITEM

*The Delfield Company
980 South Isabella Road
Mt. Pleasant, Michigan 48858*

Jim Donaldson introduced Ron Anderson from The Delfield Company. Mr. Anderson discussed the company and the reason for requesting the tax credit. Brenda Flory

expressed community support for the project. Delfield is one of the largest manufacturers of stainless steel refrigeration equipment for the food service industry. The current facility in Mt. Pleasant manufactures custom chef counters, drop-ins, display cases and ventilation units. Delfield began in 1949 in Detroit. The company was moved to Mt. Pleasant in 1971. In 1999, the company was purchased by Endonis PLC of England, one of the largest manufacturers of food service equipment in the world. Delfield currently has over 500 people at its facility in Mt. Pleasant.

Delfield is in negotiations with a multi-national restaurant chain to develop and manufacture a small refrigeration unit, with a refrigerated base, top and raised rail as well as a dry storage unit for a new sandwich they are developing. Delfield is considering Mt. Pleasant and a facility it operates in Tennessee for this project. If the project locates in Mt. Pleasant, the company would add 110 new positions in the first year of the project and 219 new positions over the next two years. We are recommending the 120-day look-back be applied to this project because the company has already hired 89 people related to the project. This was necessary because the potential customer required the company to manufacture 2,000 units to use during the test market stage. If Delfield is awarded the full contract, these employees would be retained. The new positions would pay a starting average weekly wage of \$420, but wages would quickly grow to \$640 per week.

The project would require a capital investment of \$4 million, all for new machinery and equipment, as the project would not require additional square footage at the Mt. Pleasant facility.

It is estimated that this facility will create a total of 264 jobs in the state by the year 2011. We also estimate that the project would create total state government revenues through the year 2011, of \$4.4 million.

Delfield is considering Mt. Pleasant and a facility it owns in Tennessee for this project. In comparing the two locations, the company estimates that wage rates at the Tennessee facility are 25 percent lower than in Mt. Pleasant. When the project is fully staffed, that 25 percent wage differential would save the company nearly \$1.8 million annually in wage costs. In addition, the facility in Tennessee has excess capacity that would allow the project to meet the timeframes outlined by the potential customer.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 219 new workers, or up to \$109,500.

Union Township has proposed 50 percent abatement of the company's new personal property taxes for 12 years. The estimated value of the local property tax abatement is \$268,200. The abatement is expected to be finalized on July 14, 2004.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for seven years, for up to 219 net new employees.

Board Discussion

Karen Ammarman pointed out a change to be made in the Resolution. Where the average weekly wages are mentioned, it should read \$420 average weekly wage, not \$656.

Bo Garcia gave the Executive Committee report. The Executive Committee recommended approval of the requested tax credit.

Jim Donaldson explained the look-back aspect of the tax credit. Because the company was compelled to hire employees to manufacture prototype units in the hopes of winning the contract, and the awarding of the contract will trigger the expansion, the company will be allowed to count the 89 employees that have already been hired. Mr. DuBose asked why the company was getting a look-back credit. Mark Morante explained that the law allows us to go back 120-days from the time the tax credit agreement is signed and count employees hired during that 120-day period. Mr. Morante said that the company had asked for it as part of its negotiations with staff. Staff had agreed to a look-back credit in order to keep this company from moving out of state.

Mr. Rising pointed out that the briefing memo said the company would only create 110 in the first year, yet it had to create 150 in order to meet eligibility and take the credit. When and how would it create the 150? Ms. Ammarman said that the Anniversary Date is a date certain, August 31, 2005 in this case, by which the company must meet certain criteria including creating 150 qualified new jobs. The reference in the briefing memo to 110 jobs in the first year, according to the company's application, is in calendar year 2004.

Mr. Rising wanted to know how many jobs the claw-back provision applied to. Ms. Ammarman responded that the claw-back applied to the 89 jobs hired during the 120-day period prior to the company signing its Agreement.

Hearing no further discussion, a motion was made and supported and Resolution 2004-39, authorizing a standard MEGA tax credit with look-back for The Delfield Company, was adopted.

ACTION ITEM

*General Motors Corporation – Powertrain Division
895 Joslyn Avenue
Pontiac, Michigan 48340*

Jim Donaldson introduced Candace Butler from General Motors Corporation and Charles Tucker with Pontiac Growth Group. Ms. Butler introduced Joe Sproles and Polly Bashore, also with General Motors Corporation, before she made her presentation.

GM Powertrain Division is proposing to centralize all its Product Engineering and Laboratory services at one location in Pontiac in order to improve its overall operational efficiencies. This project includes the consolidation of four engineering centers and five test laboratories located in Ypsilanti, Romulus, Warren, Troy and Wixom, into a redeveloped Pontiac campus. The company would modify its existing Engineering Headquarters in Pontiac and construct a new 431,000 square foot addition for test laboratories. In addition, GM will invest a substantial amount of capital in new test equipment to support this state-of-the-art facility.

The project is not expected to generate new job growth, but the project will lead to the consolidation of 1,600 positions to Pontiac, therefore solidifying this site as an engineering and test center for many years. Existing manufacturing operations at the sites being consolidated will continue, and GM expects other operations to locate in the vacated Warren, Wixom and Troy sites. It is expected that some of the buildings at the Ypsilanti and Romulus sites will be demolished.

Brownfield SBT Credits are granted based on several criteria outlined in the statute. The project meets the eligibility criteria.

The eligible investments to be undertaken in Pontiac by General Motors Corporation – Powertrain Division include:

Demolition of Buildings	\$ 9,600,000
Site Improvements	\$ 15,100,000
New Construction	\$ 38,000,000
Building Improvements	\$ 11,000,000
New Machinery, Equipment and Fixtures	<u>\$289,700,000</u>
Project Total	\$363,400,000

General Motors has completed a comprehensive analysis of the financial viability of this project and has determined that the project will not go forward in Michigan without the Brownfield SBT Credits being offered. Alternative sites outside of Michigan were considered for this project and GM determined those sites would be more financially viable for the project if SBT credits were not awarded.

Mr. Charles Tucker, of Pontiac Growth Group, explained the degree of community and City Council support that is being offered to attract this project. The City of Pontiac has approved property tax abatements for the new investment, including a 20-year PA 328 on the new personal property and a 12-year PA 198 on the new real property. Each of the tax abatements has an estimated value of \$40 million.

The property, formerly used for industrial purposes, is a facility and is located within the boundaries of the City of Pontiac, a qualified local governmental unit. The project is the subject of a brownfield plan duly approved on June 17, 2004, by the Pontiac City Council, and General Motors Corporation is a qualified taxpayer.

Recommendation

The MEDC recommends approval of a brownfield redevelopment credit of 10 percent of the eligible investment in the GM Powertrain Laboratory Facility project, not to exceed a \$25,000,000 credit.

Board Discussion

Bo Garcia gave the Executive Committee report and on behalf of the committee, recommended approval of the requested tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-40, authorizing a brownfield redevelopment credit for General Motors Corporation – Powertrain Division, was adopted.

ACTION ITEM

*City of Detroit
6365-6389 West Vernor
Detroit, Michigan*

John Czarnecki presented Detroit's proposal to the Board. The retail store, Family Dollar, proposes to develop and construct a 10,000 square foot store on a contaminated and blighted property along West Vernor in southwest Detroit. The redevelopment includes the remediation of a contaminated parcel, demolition of two abandoned buildings and removal of an "equipment reclamation" yard. Eleven new jobs will be created and the store will offer increased shopping opportunities to the surrounding neighborhood.

The project is located in a transitional area of southwest Detroit that is seeking to strengthen its essential neighborhood resources. The project will provide many benefits, including:

1. The immediate removal of an unsightly blighted and burned out building, an "equipment reclamation" yard and related eyesores.
2. The removal and proper off-site disposal of contaminated soils.
3. The creation of at least 11 jobs for local residents.
4. The establishment of convenient retail shopping opportunities for nearby residents, including those without transportation.
5. The creation of new development with design elements sought by local community organizations, consistent with urban planning concepts embraced by the groups.

Brownfield work plan approvals are granted based on several criteria outlined in the statute. This project meets eligibility criteria. Family Dollar has received a brownfield redevelopment credit not to exceed \$77,766.

The cost of the eligible activities totals \$39,559. The tax breakdown is as follows:

\$ 14,637	State School Property Taxes (37%)
\$ <u>24,922</u>	Local Property Taxes (63%)
\$ 39,559	

PROJECT COSTS (state share)

Work Plan review	\$ 1,000
Demolition	\$ 34,698
Site Preparation (reduced from \$25,247)	\$ 2,595
Public Infrastructure Improvement	\$ <u>1,266</u>
Total	\$ 39,559

The property is a facility 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 on November 26, 2003, by the Detroit City Council.

Recommendation

The Michigan Economic Development Corporation (MEDC) recommends MEGA approve the request by the City of Detroit and its Brownfield Redevelopment Authority to capture taxes levied for school operating purposes, up to a maximum of \$14,637 to pay for eligible activities in the work plan prepared on March 26, 2004. The total project cost is estimated to be \$39,559.

Board Discussion

Bo Garcia gave the Executive Committee report. The Executive Committee has recommended approval of the requested tax capture for this project.

Hearing no further discussion, a motion was made and supported and Resolution 2004-41, authorizing the City of Detroit Brownfield Redevelopment Authority to capture school operating taxes for its Family Dollar Stores redevelopment project, was adopted.

ACTION ITEM

*City of Grand Rapids Brownfield Redevelopment Authority
The Right Place, Inc.
111 Pearl Street NW
Grand Rapids, Michigan 49503*

Rick Chapla from The Right Place, Inc., was introduced. Mr. Chapla discussed the redevelopment project and mentioned the City's land use master plan, and how this mixed-use redevelopment project fits in with that plan.

The developer, Mid Towne Village, LLC, proposes to demolish all existing structures and construct five new buildings and two private parking decks. The total new building square footage will be approximately 217,296, of which 150,636 will be commercial and office space, 34,659 will be residential and 32,000 will be private parking.

The work plan requests demolition, public infrastructure and site preparation costs associated with the development of the site.

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

The project is using local TIF on the project. The developer intends to submit a Project Preapproval Application for a \$2 million Brownfield Single Business Tax Credit at a future date.

There are 43.5365 mills available for capture, with school millage equaling 23.92 mills (55%) and local millage equaling 19.62 mills (45%). The recommended tax capture breaks down as follows:

School tax capture	\$ 1,453,533 (55%)
Local tax capture	<u>\$ 1,189,254 (45%)</u>
	\$ 2,642,787

PROJECT COSTS

Public Infrastructure	\$1,501,347
Demolition	\$ 345,000
Site Preparation	\$ 444,338

Work Plan Preparation	\$ 7,500
MEGA Review Cost	\$ 1,000
Contingency (15%)	\$ 343,602
Total	\$2,642,787

Note: Interest expense has been deducted from the project costs due to the State Treasurer's determination that it is not eligible unless the community issues a bond for this project.

The property has been deemed blighted by the City of Grand Rapids. The project is the subject of a brownfield plan approved by the City of Grand Rapids Brownfield Redevelopment Authority on June, 7, 2004.

Recommendation

The Michigan Economic Development Corporation recommends approval of school tax capture, not to exceed \$1,892,061, based on eligible activities totaling \$2,642,787, described above.

Board Discussion

Mr. Rising asked about the relocation plans for current residents. Mr. Levitt of Midtowne Village, LLC, responded saying that his company had paid \$1,000 to every renter to help defray moving costs. The company also provided information on available rental properties located within the same zip code as their present address. All properties have been purchased and all residents have moved, voluntarily, with the exception of one who will be moving later this month.

Mr. DuBos asked if the noise from the highway had been factored into Midtowne's building plans. Mr. Levitt answered, saying the company had increased the setbacks in order to help buffer the highway noise.

Bo Garcia gave the report of the Executive Committee. The Executive Committee discussed the benefits to be gained from creating 350 jobs and the removal of a blighted area. The Executive Committee recommended approval of the requested tax capture. Hearing no further discussion, a motion was made and supported and Resolution 2004-42, approving the capture of taxes levied for school operating purposes to the City of Grand Rapids Brownfield Redevelopment Authority for its Mid Towne Village project, was adopted.

ACTION ITEM

*INCAT Systems, Inc.
41370 Bridge Street
Novi, Michigan 48375*

Jim Donaldson introduced Clay Pearson from the City of Novi, and Ulrich Herter with INCAT Systems, Inc. Mr. Herter outlined the company's growth and reason for the needed expansion. INCAT Systems, Inc. is the North American subsidiary of INCAT International Ltd., a privately held English company headquartered in London. INCAT is a professional services organization focused on product and information lifecycle management. In North America, INCAT's primary business consists of consulting and product information content services for aerospace, automotive and other durable goods manufacturers. Additionally, INCAT develops software for product designers and performs various other research and development activities.

The company's workforce consists primarily of highly trained and skilled individuals specialized in engineering, software applications, and business processes. INCAT Systems has 313 employees in Michigan.

INCAT has experienced a shift in the company's business focus to higher end professional services that has caused significant growth in headcount and opportunities for expansion. The company will create approximately 25 jobs in the first year of operations, and up to 300 by the tenth year. To support this growth, INCAT anticipates investments in computing and office equipment of approximately \$7 million in the next five years. The jobs created would pay an average weekly wage of \$1,725.

It is estimated that this facility will create a total of 535 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, of \$13.8 million due to the location of this facility.

The company has considered numerous options for its future, including expansion in another U.S. state, Canada, Mexico or India. It has also considered reducing the size of its Michigan operations as part of an expansion elsewhere. The company compared the costs of expanding in Michigan or close to a major customer in the greater Seattle, Washington area, and determined that annual payroll costs would be ten percent lower in Washington State. Depending on the size of the expansion, this cost could be as much as \$7.7 million per year.

The City of Novi approved a package of local incentives on June 7, 2004. Clay Pearson from the City of Novi expressed community support and briefly outlined the City's offered incentives. This package includes assistance of up to \$50,000, including \$20,000 in cash for expansion expenses, with the remainder to be provided through reduced or waived fees for permits and other city services.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for 10 years, for up to 300 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report. On behalf of the committee, he recommended approval of the requested tax credit.

Karen Ammarman discussed the fact that this credit will be a look-back credit, i.e., jobs that were created in the 120-day period prior to the date the company became an authorized business, will be counted for the company's employment tax credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-43, approving a high-tech MEGA tax credit for INCAT Systems, Inc., was adopted.

The meeting was adjourned at 11:30 a.m.

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