

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, Victor Center, 4<sup>th</sup> Floor, 201 N. Washington, Lansing, Michigan on October 10, 2000 at 10:00 a.m.

### **Members Present:**

Beth Chappell (by phone)  
Craig DeNooyer  
Sarah Deson-Fried  
Phil Kazmierski (acting for and on behalf of James DeSana, authorization attached)  
Mary Lannoye (acting for and on behalf of Janet Phipps, authorization attached)  
Mark Murray  
Doug Rothwell  
Tim Ward

### **Members Absent:**

None.

### **Others Present:**

Peter Anastor, MEGA, MEDC  
Dennis Boles, Haworth, Inc.  
Robin Bozek, Events & Protocol, MEDC  
Tino Breithaup, MEDC  
Greg Burkart, Ernst & Young  
Matthew Darby, Haworth, Inc.  
Dan Domenicucci, Ernst & Young, LLP  
Jim Donaldson, Vice President, Business Development, MEDC  
Robert Donegar, Tower Automotive  
Tracy Freeman, MEDC  
Richard Gaul, Tower Automotive  
Andy Henion, Lansing State Journal  
David Jeup, Vice President, Business Development, MEDC  
Sarah Kellogg, Booth Newspapers  
Jennifer Kopp, Communications, MEDC  
Kris Manoz, Haworth, Inc.  
Jack Marcusse, Haworth, Inc.  
Amy McEwan, Delta Township  
Kathy McMahan, Communications, MEDC  
Peggy McNichol, Ernst & Young  
Jim Paquet, Secretary to the MEGA Board, MEDC  
Mike, Poni, MEDC  
Ed Reed, MEDC  
Paul Roney, Lansing Regional Chamber  
Ellen Ross, MEGA, MEDC  
Tom Schimpf, Attorney General

Bruce Swartz, Jackson Precision Die Casting, Inc.  
Daniel Underwood, Tower Automotive  
Trygve Vigmostad, The Christman Company  
Greg Wagner, Tower Automotive  
Richard Watkin, Delta Township  
Soren Wolff, City of Holland

### Call to Order

Chairperson Rothwell called the meeting to order at 10:00 a.m.

### Adoption of Minutes from September 20, 2000

It was moved, supported and carried that the minutes from the September 20, 2000 meeting be adopted.

### Public Comment

There were no comments from the public.

### Action Item

Haworth, Inc.  
One Haworth Center  
Holland, Michigan 49423-9576

Jim Donaldson presented the project to the Board.

Haworth, Inc., is a Michigan corporation that was founded by G. W. Haworth in 1948. Haworth has seen continuous growth over the past 50 years and is now the second largest office furniture manufacturer in the world. The company currently employs over 4,000 people in the state, with more than 2,800 jobs in Holland. The company has manufacturing facilities in Allegan, Douglas, Ludington, and Big Rapids. The Big Rapids facility was one of the first facilities to receive a MEGA credit.

Because Haworth has experienced rapid and continuing growth over the past several years, it must expand its office operations to meet future demand for products. Haworth is considering locating a large expansion of its administrative offices in Holland, Michigan or Nashville, Tennessee. Haworth currently has a regional administrative facility in Nashville. This project will require an expansion of office facilities in either location with an investment in building and equipment of over \$17 million. The company expects to create up to 455 net new jobs by 2005, with an average weekly wage of just over \$800. Haworth offers a generous benefit package to its employees.

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc, software, we estimate this facility will generate a total of 609 jobs in the state by 2020. Total state government revenues through the year 2020, net of MEGA costs and adjusted for inflation, would be increased by \$49.2 million (2000 dollars) due to the presence of this facility.

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Holland and Nashville. Based on figures obtained from the company, the cost disadvantage for Haworth to locate this expansion in Michigan rather than Tennessee amounts to approximately \$1.5 million annually. The major factor in this differential is attributable to lower wages in Nashville.

The State of Michigan will provide Haworth an Economic Development Job Training grant of up to \$227,500. In addition, the state will offer a 100 percent abatement of the 6-mill State Education Tax for the same term as the local property tax abatement. This abatement is estimated to be worth over \$628,000. The local tax abatement could be worth up to \$6.68 million over twelve years.

Haworth is faced with a significant wage cost differential to locate this facility in Holland rather than Nashville. In addition, expanding their presence in Nashville allows Haworth to more easily reach customers, with reduced travel costs, in the rapidly growing Southeast sector of the country. Therefore, the following MEGA credit is needed to encourage this business investment in Holland.

### **Recommendaton**

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the first 13 years and 70 percent for the next 7 years for up to 455 net new jobs.

### **Board Discussion**

Tim Ward presented the report of the Executive Committee. He indicated that the job types could easily be located in another state, but it would be good to keep them here and the Executive Committee recommends approval of this project.

Craig DeNooyer asked what the job functions encompassed. The Company explained that it is driven by broad based corporation growth. Job functions include information technology, engineering, customer service as well as general administrative.

The question was asked why the company had considered the Nashville location. The Nashville location was considered based on the corporate structure of the company and the strategic decision of centralization verses decentralization of its five locations. The largest facility is located in Holland.

Sarah Deson-Fried commended the City of Holland for their efforts in making this project possible.

The City of Holland commented that Haworth, Inc. is an important part of Holland's community and while it is not seeking industrial growth, it hopes to retain the company and other industry located in the City. Haworth, Inc. is their largest taxpayer and is a homegrown industry. The City is providing \$40 million worth of infrastructure improvements.

Chairman Rothwell asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-033 awarding tax credits to Haworth, Inc. be adopted.

### Action Item

Jackson Precision Die Casting, Inc.  
522-524 Hupp Avenue  
Jackson, Michigan 49204-0784

Jim Donaldson presented the project to the Board.

Jackson Precision Die Casting, Inc. is a manufacturer of aluminum die castings primarily for the automotive industry. The company was formed in 1998 when it acquired substantially all the assets of their original company, Diecast Corporation, from bankruptcy. The Diecast Corporation started in Jackson in 1946. During the time the company was in bankruptcy, General Motors took over management/ownership of the company because the bushings being produced were needed by General Motors. In 1998 TMB, Industries, a privately held holding company in Chicago, purchased the company. TMB has several divisions with plants throughout the United States. Jackson Precision Die Casting has 203 current employees in Michigan.

On June 23, 2000 one-third of the plant was destroyed due to a fire at the facility. 12,000 square feet of manufacturing space, three machines, a high technology quality area, office space, tool crib, and cafeteria were lost. The work assigned to the lost machines is now being manufactured at a sister plant in Angola, Indiana.

The company has to make a decision about its future. There are several options being considered: the parent company has space in the Chicago area that could accommodate this operation; the Angola, Indiana plant is a state-of-the-art facility and has excess capacity; the Vice President and Chief Operating Officer and Chief Financial Officer are both Jackson residents and would like to keep the company in Jackson.

The project in Michigan would employ an additional 90 people at an average weekly wage of \$624 and a benefit package totaling 50 percent of wages. This reconstruction would upgrade the efficiency of a very old and obsolete facility. Anticipated capital

investment includes \$6.1 million in building and \$7 million in equipment, for a total investment of \$13.1 million.

According to the economic analysis done by the Michigan Economic Development Corporation using REMI software, we estimate this facility will generate a total of 220 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjusted for inflation, would be increased by \$10,263,000 (2000 dollars) due to the presence of this facility.

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Chicago, Illinois and Jackson, Michigan. Based on figures obtained from the company, the cost disadvantage for the operational labor costs to keep this facility in Michigan rather than relocating to Illinois is \$9.7 million for the ten years of the incentive. The cost gap attributable to the wages is created due to a non-unionized facility in Chicago and the availability of a low wage, unskilled workforce.

Economic Development Job Training funds will be offered to the company at \$500 for up to 90 net new employees for a total of \$45,000. In addition, the state will provide an abatement of 100 percent of the State Education Tax for a period of time to match the local property tax abatement. The estimated value of this abatement is \$354,835.

The City of Jackson will provide 100 percent real property tax abatement on new investment under the obsolete plant rehabilitation program for a period of 12 years. Additionally, the City of Jackson will provide 50 percent personal property tax abatement for new personal property for a period of 12 years. The value of both abatements is approximately \$2,497,265.

Without the assistance offered by the MEGA program, Jackson Precision Die Casting, Inc. would not rebuild its facility in Jackson, Michigan. This would leave a large and obsolete facility vacant as well as the loss of 203 existing jobs and 90 new jobs.

While we are not entirely able to fill the gap, the company has indicated that it would really like to keep the project in Michigan if at all feasible. The company has enjoyed a good workforce in Michigan and feels that the proposed MEGA, as offered, will bridge enough of the gap to make the project viable for Michigan. In addition the company estimates that it would cost between \$5-6 million to move the facility and tooling to Chicago.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 90 net new jobs for ten years.

## **Board Discussion**

Tim Ward presented the report of the Executive Committee. The Executive Committee focused on the type of jobs involved, i.e, high-skilled and semi-skilled. If the Company were to move it would be a significant loss to the City of Jackson.

Phil Kazmierski questioned the company's Angola location. The Company responded that this was an idle facility which they operated as a temporary gap filler after the fire at their Jackson location.

Chairman Rothwell asked if there any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-034 awarding tax credits to Jackson Precision Die Casting, Inc. be approved.

## **Action Item**

R. J. Tower Corporation  
27175 Haggerty Road  
Novi, Michigan 48377

Jim Donaldson presented the project to the Board.

R. J. Tower is a subsidiary of Tower Automotive, Inc., a publicly held company incorporated in 1993 to design and manufacture structural components and assemblies used by major automotive equipment manufacturers. Since its incorporation, the company has experienced exponential growth as a result of an aggressive and strategic acquisition program. Tower Automotive maintains 25 manufacturing facilities in North America, as well as other facilities in Europe, South America and the Pacific Rim. Tower Automotive currently has over 4,100 employees in Michigan.

As part of its expansion initiative, Tower Automotive is planning the construction of a new, state-of-the-art manufacturing facility in either Delta Township, Michigan or Bellevue, Ohio. Tower currently operates a manufacturing facility in Bellevue that produces parts for a Ford Motor Company facility in Southeast Michigan. An investment of \$10 million for the building (includes capitalized lease and leasehold improvements) and \$19.4 million in machinery and equipment would be required for the project, for a total investment of \$29.4 million. Up to 404 new jobs would be created at an average weekly wage of \$690 and offering a benefit package of up to 32 percent of weekly wages.

Construction of the new facility could begin as early as late October 2000. New machinery and equipment would be installed during the first six months of 2001 and production would begin in January 2002. Tower would hire 120 new full-time employees within the first year of production and will ramp up employment over the next two years with 115 and 169 additional employees respectively.

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 929 jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs and adjusted for inflation, would be increased by \$24,372,000 (2000 dollars) due to the presence of this facility.

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Delta Township, Michigan and Bellevue, Ohio. Based on figures obtained from the company, the cost disadvantage for R. J. Tower to locate this expansion in Michigan rather than Ohio totals \$11.8 million over the nine-year period of the incentive. This cost differential is primarily attributable to lower wages in this rural area of Ohio and tax incentive programs offered by the State of Ohio.

The State of Michigan will provide R. J. Tower an Economic Development Job Training grant of \$750 for each of the 404 new workers, or a total of \$303,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for an amount of time to match the local property tax abatement. The estimated value of this abatement is \$728,769.

Delta Township will provide the company with an abatement of 50 percent of the real and personal property taxes related to the project for a twelve-year period. The estimated value of this local abatement is \$2,701,117.

R. J. Tower has indicated that it must determine the most cost-effective location for this facility in order to remain competitive. Other factors influencing the location include availability of skilled labor and proximity to its customers. The state of Ohio, in addition to being a lower cost alternative, has offered the company substantial tax incentives to expand its current operation in Bellevue. In order to win this project, Michigan must compete with these incentives.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 404 net new jobs for 9 years and a business activity credit of 100 percent for 8 years.

### **Board Discussion**

Tim Ward presented the report of the Executive Committee. He indicated that the alternate location was very real and the MEGA would be necessary to attract this company.

Doug Rothwell discussed the recent Kalamazoo closings. Jim Donaldson clarified that the Trucks Products Division was closing. This consisted of three older buildings which dealt with obsolete materials. Although 350 employees will be laid off in Kalamazoo, those jobs will continue to be counted as part of the job base. Replacement of the 350 jobs is a condition of the credit as provided in the Resolution.

Mark Murray commented that as a supplier to GM, the jobs to be created by R.J. Tower were counted among the indirect jobs attributable to the GM Platinum expansion, which received a MEGA credit earlier in the year. He cautioned that the Board needed to continue to be aware of and consider that effect in evaluating derivative expansions.

Doug Rothwell acknowledged that this was an impact of the type of model being used to determine the cost/benefit of the project.

He added that the R.J. Tower expansion was likely to be an exception among suppliers to the GM project. He did not want to see MEGA's return on its original investment in the GM credit diluted.

In the Tower case it was clear that the company could build a sequencing center rather than a manufacturing plant in Michigan if it did not receive the credit. The sequencing center model had been used successfully by the company in similar situations.

Chairman Rothwell asked if there were any further questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-035 awarding tax credits to R.J. Tower Corporation be approved.

#### ***Pollard Banknote, Ltd. – Amendment***

Jim Donaldson presented the amendment.

In May of 1998, the MEGA Board approved tax credits for Pollard Banknote, Ltd.'s expansion project in Ypsilanti Township. In this agreement, Pollard Banknote, Ltd., committed to creating at least 75 new jobs by July 31, 2000.

The company has requested an extension of their Anniversary Date to July 31, 2001. The company has been able to hire only 31 of the 75 qualified new jobs at the facility due to a higher than anticipated turnover rate, as well as changes in the company's production process which made production levels drop by 50 percent due to a high rate of spoilage.

The company's production engineers have been able to resolve the production problems and, with the improved production levels, more work is being scheduled for the plant. Also, the company will be hiring a new human resources staff member to help with the recruitment and retention of workers at the plant.



The company feels that if the extension is granted, it will be able to achieve its hiring goals by July 31, 2001, and is requesting an amendment to its MEGA tax credit.

Jim Paquet noted that the schedule of the credit would not change and that the company would lose the first year of the credit.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-036 awarding an anniversary date extension to Pollard Banknote, Ltd. be adopted.

***Adoption of 2001 MEGA Board Meeting Schedule***

Chairman Rothwell asked for the adoption of the 2001 MEGA Board Meeting Schedule. It was moved, supported and carried that the proposed meeting dates for 2001 be adopted.

The meeting was adjourned at 10:40 a.m.

STATE OF MICHIGAN



JOHN ENGLER, GOVERNOR

DEPARTMENT OF TRANSPORTATION

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TED B. WAHBY

LH 0-0 (5/97)

June 9, 1997

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

FROM: James R. DeSana  
Director

RE: Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the Michigan Economic Growth Authority (MEGA) board meetings when I am unable to attend.

A handwritten signature in cursive script, reading "James R. DeSana", written over a horizontal line.  
Director

/kb

cc:

Doug Rothwell, Director  
Michigan Jobs Commission

STATE OF MICHIGAN



JOHN ENGLER, Governor

**DEPARTMENT OF MANAGEMENT & BUDGET**

P.O. BOX 30026, LANSING, MICHIGAN 48909

~~MARK A. MURPHY, Director~~

JANET E. PHIPPS, Director

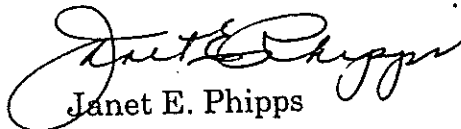
January 22, 1998

Mr. Doug Rothwell  
Chief Executive Officer and Department Director  
Michigan Jobs Commission  
201 N. Washington Square  
Lansing, Michigan 48913

Dear Mr. Rothwell:

I hereby designate Mary Lannoye, the Director of the Office of the State Budget, to represent me all future MEGA meetings.

Sincerely,

  
Janet E. Phipps  
Director

JEP/cal

cc: Nancy Patera

