

## ADOPTED MINUTES

A rescheduled meeting of the Michigan Economic Growth Authority (MEGA) was held on the 4<sup>th</sup> Floor of the Victor Office Center, at 201 North Washington Square, Lansing, Michigan on October 14, 1998 at 10:00 a.m.

### Members Present:

Doug Rothwell  
Phil Kazmierski (acting for and on behalf of James R. DeSana)  
James Garavaglia (via phone)  
John McCormack  
Nancy Duncan (acting for and on behalf of Janet E. Phipps)  
Mark Haas (acting for and on behalf of Douglas Roberts)

### Members Absent:

David Porteous  
Beth Chappell

### Others Present:

Ralph Bedogne, Vice President, Engineered Machined Products, Inc.  
Kathy Blake, Director, Michigan Business Development (MBD), Michigan Jobs Commission (MJC)  
Greg Burkart, Director, International and National Business Development (INBD), MJC  
Jim Donaldson, Deputy Director, MBD, MJC  
Cristine Dreese, Secretary, MJC  
Michael LaFaive, Staff Research Associate, Mackinac Center for Public Policy  
William Morris, President, Monroe County Industrial Development Corporation  
Greg Nicholas, Account Manager, MJC  
Jim Paquet, Secretary to the MEGA Board, MJC  
Sante J. Perrelli, Assistant Attorney General, Michigan Attorney General's Office  
Mike Pohnl, MEGA Specialist, MBD, MJC  
Mark Ridenour, Chief Financial Officer, Centaur, Inc.  
Read Ross, Director, External Events, INBD, MJC  
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office  
Susan Shafer, Communications Director, MJC  
Michael Uskiewicz, City Manager, City of Escanaba

### Call To Order

The meeting was called to order by Chairperson Rothwell at 10:10 a.m.

Prior to commencing with the agenda items, Chairperson Rothwell asked individuals in the room to introduce themselves and their affiliations.

### **Adoption of the Minutes from the September 17, 1998 Meeting**

It was moved, supported, and carried that the minutes from the September 17, 1998 meeting be adopted.

### **Public Comment**

There were no comments from the public.

### **Action Items**

***Centaur, Inc.  
2401 Front Street  
Toledo, Ohio 43605***

Chairperson Rothwell introduced Greg Burkart and Greg Nicholas from the MJC who were both involved with this project and asked Mr. Burkart to give the presentation. Before the presentation, Mr. Burkart reintroduced Mark Ridenour from Centaur, Inc., and Bill Morris from the Monroe County Industrial Development Corporation. Mr. Burkart then gave the presentation by summarizing key points from the briefing memo.

### **Project Description**

Centaur, Incorporated, is a Michigan holding company that owns in whole or in part, Heidtman Steel Products, Incorporated, HS Processing L.P. and Mizar Motors, Incorporated. The administration functions of these subsidiaries are located in Michigan, Ohio, and Indiana. Centaur, Incorporated, is considering consolidation of all administrative functions under one central corporate headquarter location.

Centaur is proposing to construct a new headquarter facility in Bedford Township (Monroe County) or in Toledo, Ohio. This new facility would centralize accounting, executive, finance, human resources, MIS, operations, purchasing, steel applications, sales, and traffic functions. Centaur employs 46 people in Michigan performing these administrative functions. By locating in Bedford Township, Centaur would relocate 87 jobs from Ohio in the first year. An additional 31 employees would be added in the third year.

The economic analysis done by the University of Michigan estimates the Centaur facility will generate a total of 185 new jobs in the state by the year 2006. Total net state government revenues through the year 2006, would be increased by \$4,088,000 (1998 dollars) due to the presence of the Centaur, Incorporated, headquarters.

The annual cost disadvantage for Centaur to establish its new headquarters in Bedford Township, Michigan, rather than Toledo, Ohio, is approximately \$2,292,039 in the first year of the project. Thereafter, the cost differential is favorable to Michigan by approximately \$130,000 to \$200,000 annually, over the term of the incentive. The cost differential is primarily due to building/land costs and taxes.

The company would not consider locating in Michigan without the MEGA tax credit to offset the cost of building, land, and tax differentials. The ability to offer MEGA to the company will allow Michigan to retain 46 highly paid, administrative positions and create an additional 118 net new jobs within three years.

#### **Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 50 percent for 6 years for up to 118 net new jobs.

#### **Board Members' Discussion**

Chairperson Rothwell gave the report of the Executive Committee indicating that it was comfortable recommending the Centaur project to the full Board. He stated that the company was going through a consolidation, and that Toledo's Port Authority owned the site that Centaur was interested in Ohio and was willing to build to suit the company's needs. The only way Michigan was able to compete with Toledo for the project was to offer the Community Development Block Grant money and to offset the land and site costs by using the MEGA incentives. Chairperson Rothwell then asked if there were any questions from the Board. Board Member McCormack asked if the infrastructure grant that we were offering would benefit the others in the area. Mr. Burkart responded with the infrastructure portion was necessary to improve the road to the headquarters so that it could handle additional traffic, and the grant would benefit the two industrial parks on either side of Centaur's new headquarters.

Board Member Kazmierski asked why there was a new resolution prepared for Centaur. Mr. Paquet responded that the new resolution corrected a typographical error in the resolution that had been mailed. The error related to current number of jobs at Centaur.

There being no further questions, it was moved, supported, and carried that Resolution 1998-017 awarding tax credits to Centaur, Inc. be adopted.

*Engineered Machined Products, Inc.*  
*2003 North 20<sup>th</sup> Avenue*  
*Escanaba, Michigan 49829*

Chairperson Rothwell introduced Jim Donaldson from the MJC and asked him to present the project. Before the presentation, Mr. Donaldson reintroduced Ralph Bedogne from Engineered Machined Products, Inc., and Mike Uskiewicz, City Manager for Escanaba. Mr. Donaldson then summarized the key points from the briefing memo on the project.

### Project Description

Engineered Machined Products, Inc., (EMP) is a privately held company headquartered in Escanaba. Currently they employ more than 280 people in two adjacent facilities in the city. The company produces machined parts for the automotive industry including crankshaft spindles, water and oil pumps and various other parts for both automobiles and heavy trucks.

The company has experienced rapid growth and is considering building a new facility adjacent to the current manufacturing plant in Escanaba or in Greenfield, Indiana, which is closer to its primary customers.

The project will include a manufacturing facility and offices to house research and development. Capital investment is expected to be \$3,000,000 for the building and an additional \$2.25 million in expenditures for equipment over the first three years of the project. This expansion will create at least 75 jobs initially and up to 175 jobs within five years, with an average weekly wage of \$457. If this facility is located in Escanaba, the jobs created will be covered by a union contract, with full benefits.

The economic analysis done by the University of Michigan estimates the EMP facility will generate a total of 304 jobs in the state by the year 2015. Total net state government revenues through the year 2015, would be increased by \$14,280,000 (1998 dollars) due to the presence of the EMP facility.

The cost disadvantage for EMP to expand its manufacturing operations in Escanaba, rather than Greenfield, is approximately \$600,000 annually over the term of the incentive. The cost differential is primarily attributable to lower wages, workers' compensation costs, and lower property taxes in Indiana.

Because the company is expanding rapidly, it needs to focus on the bottom line. In order to secure additional financing, the company must consider any opportunities it has to lower fixed and variable costs. The company has recently acquired a small assembly facility in Indiana which has adequate expansion room for this project and would result in locating research and development functions closer to the company's major customers. Without the MEGA credit, the project would be located in Indiana.

### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 5 years and 50 percent for the next 12 years for up to 175 net new jobs.

### Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee indicating that it was recommending the Engineered Machined Products, Inc. project to the full Board. He stated that because the heavy truck industry is centered in Indiana, the company faced a strong pull to be near its prime customers there. He added that there were also good reasons for Engineered Machined Products to locate in Michigan where it has a very good workforce and it is able to recruit from Michigan Tech and Northern Michigan University.

Chairperson Rothwell asked if there were any questions from the Board. Board Member Haas was curious about the 10% wage differential. He asked if the workers in the U.P. were more productive than the workers down in Indiana. Mr. Bedogne responded by saying that of 175 applicants for 20 job openings in Indiana, only 3 had passed the basic skills test the company administers. In Michigan, Mr. Bedogne stated that they do not have to do a whole lot of training of the individuals from the U.P. because by the time they finish their schooling they are already "skilled" for these jobs. The company also has a good relationship with the intermediate school district which consistently provides people right out of high school that are ready for employment with the company.

Board Member Garavaglia asked if the road improvements in the Red Pines area would allow for future expansion of the company. Mr. Uskiewicz responded that yes, it would.

There being no further questions, it was moved, supported, and carried that Resolution 1998-018 awarding tax credits to Engineered Machined Products, Inc. be adopted.

Before the meeting adjourned, Chairperson Rothwell announced that there would be a special MEGA Board meeting on Wednesday, October 28, 1998 at 4:00 p.m.

The meeting was adjourned by Chairperson Rothwell at 10:40 a.m.