Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Olds Plaza, Cabinet Room, 2nd Floor, 111 S. Capitol Avenue, Lansing, Michigan on October 2, 1995 at 8:00 a.m.

Members Present:

Doug Rothwell, Chairperson
David Porteous, Vice Chairperson
Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached)
Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached)
Elizabeth McDermott Chappell
Mark Murray

Members Absent:

John McCormack
William LaMothe

Others Present:

Kathy Blake, Michigan Jobs Commission
Doug Stites, Michigan Jobs Commission
Jim Paquet, Secretary to the MEGA Board
Diana Burns, Michigan Jobs Commission
Al Aceves, Michigan Jobs Commission
Mike Pohnl, Michigan Jobs Commission
Pauline Millichamp, Michigan Jobs Commission
Bill Burton, Senior Vice President, Shiloh of Michigan
Dominic Fanello, Shiloh of Michigan
Carl Valdisseri, Rouge Steel
Craig Stacy, Corporate Controller, Shiloh of Michigan
Gregory Nowak, Price Waterhouse
William Hornberg, Price Waterhouse
Rick A. Smith, President, Meridian Incorporated
Jeff L. Dolbee, Vice President-Finance, Meridian Incorporated
David J. Becker, Project Manager, Meridian Incorporated
William McMcCardell, President, Cardell Corporation
Richard Knappe, Vice President-Finance & Treasurer, Cardell Corporation
Jim McDonald, Mayor of Rochester Hills
Tom Tikeile, Cardell Corporation

Call To Order

The meeting was called to order by Chairperson Rothwell at 8:03 a.m.

Adoption of Minutes from August 17, 1995 Meeting

It was moved, supported and carried that the Minutes from the August 17, 1995 meeting be adopted.

Public Comment

None

Action Items

Meridian Incorporated
17558 171st Avenue
Spring Lake, Michigan 49456

Chairperson Rothwell indicated that 500 jobs would be created by the proposed expansion of Meridian in Spring Lake.

Chairperson Rothwell then introduced Ms. Kathy Blake of the Michigan Jobs Commission.

Ms. Blake first introduced Mike Pohnl, Michigan Jobs Commission. He then introduced Rick Smith, President; Jeff Dolbee, Vice President-Finance and David Becker, Project Manager of Meridian Incorporated to the Board.

Ms. Blake presented a summary of the proposed project.

Project Description

Merdian Incorporated is a wholly owned subsidiary of Herman Miller, Inc. a Fortune 500 manufacturer of office furniture. Meridian is an autonomous operation acquired by HMI in May 1990 which designs, manufactures, markets and sells a separate line of metal casegoods. The company has enjoyed significant growth over the last 5 years. As a result of this tremendous growth, the company is outgrowing its current location

Meridian is considering building a new manufacturing facility that has the potential for future expansion. Investment in this project will be approximately $24 million in building and machinery and equipment. This expansion will create 500 new jobs with an average weekly wage of about $443 and a total payroll at full production of approximately $11.5 million annually.

Benefit to State

Based on the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 1,471 jobs in the State by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $68,634,000 due to the presence of the Meridian Incorporated facility.

This project would create a total of $1,046 million (1995 dollars) in personal income by the year 2017 for Michigan residents. It would also contribute more than $1.7 million to local governments and schools through property tax payments over 12 years.

Cost Analysis

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Michigan City, Indiana and Spring lake Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Meridian to establish their manufacturing facility in Spring Lake Township rather than Michigan City ranges from $650,000 to $1,100,000 over the term of the incentive. The cost differential is primarily attributable to tax cost differences and having to meet EPA non-attainment pollution guidelines in Michigan. Pollution control equipment will cost approximately $1,800,000 to install in Michigan and the operating costs alone for this equipment are in excess of $350,000 annually.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, a MEGA tax credit has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 500 new employees. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for a period of 15 years.

Mr. Porteous asked Mr. Smith "what's causing this growth" Meridian vs Herman Miller. Mr. Smith responded that he believed it was due to Meridian's line of freestanding office furniture and specialization in filing systems. Meridian also manufactures pedestals and free standing desks for the office market. Its ability to be stored in more compact areas (furniture lies flat in storage).

Chairperson Rothwell stated that the Executive Committee met on September 27, 1995 and recommends that the credits be awarded.

It was moved and supported that Resolution 1995-009 awarding tax credits to Meridian Incorporated be adopted.

ADOPTED:

AYES: Doug Rothwell, Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached), Elizabeth McDermott Chappell, David Porteous, Mark Murray

NAYS: None

Shiloh of Michigan, Incorporated
30600 Telegraph Road
Bingham Farms, Michigan 48025

Chairperson Rothwell gave a brief summary analysis of the impact of Shiloh of Michigan, Incorporated's proposed Michigan operation in Romulus, Michigan.

Ms. Kathy Blake first introduced Al Aceves, Michigan Jobs Commission. He then introduced Dominic Fanello, Chair; William Burton, Senior Vice President of Corporate Planning; Craig A. Stacy, Corporate Controller of Shiloh of Michigan, Incorporated, William Hornberg from Price Waterhouse and Carl Valdiserri of Rouge Steel to the Board.

Ms. Blake presented a summary of the proposed project.

Project Description

Shiloh Industries, Inc. is considered a vertically integrated steel processor that supplies high quality blanks, stampings and processed steel to automotive and other industries. Presently, the company operates eight facilities with a total of over one million square feet of manufacturing space. All of the company's operations are in Ohio. This project will be the company's first facility outside of Ohio. Shiloh customers include the Big Three auto manufacturers, primarily steel producers and automotive components manufacturers.

Because of increased demand in the company's operations, Shiloh Industries, Inc. will create a wholly owned subsidiary, Shiloh of Michigan, Incorporated, which will be dedicated to operating a high quality steel blanking operation. The company is considering Welling, Ohio or Romulus, Michigan for this expansion. This expansion will result in the company constructing a 160,000 square foot facility in Romulus, Michigan. In addition, the company will invest approximately $30 million while creating 153 jobs in three years. The average weekly wage at this facility is approximately $480. Total incremental payroll at full production is estimated to be $3.8 million annually.

Benefit to State

Based on the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 377 jobs in the State by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $25,121,000 due to the presence of the Shiloh of Michigan, Incorporated expansion.

This project would create a total of $385 million (1995 dollars) in personal income by the year 2017 for Michigan residents. It would also contribute more than $5.4 million to local governments and schools through property tax payments over 12 years.

Cost Analysis

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Wellington, Ohio and Romulus, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Shiloh of Michigan to locate its expansion in Romulus, Michigan rather than Wellington, Ohio ranges from $771,500 to $1,785,000 over the term of the incentive. The cost differential is primarily attributable to employee wages and tax costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, a MEGA tax credit has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for a period of 8 years. The credits are for a maximum of 153 new jobs.

Mr. Porteous questioned why a 50% six year tax abatement? Was this below the usual?

Mr. Aceves reported that each local government has the authority to recommend the amount of years allowed on tax abatements. The local government felt that six years was sufficient when figured in with the $1.6 million from the local TIFA.

Chairperson Rothwell asked if the local entity felt the TIFA payment balanced out the six year abatement? Ms. Blake replied yes because the TIFA money is paid upfront.

Mr. Porteous asked if the City of Rolumus welcomed this project?

Al Aceves indicated that yes, it was welcomed. In fact, the Mayor of Romulus would be appearing at the press conference with the Governor later today.

Mr. Stites of the Michigan Jobs Commission thought it might be appropriate if Mr. Valdiserri from Rouge Steel could update the group as to its relationship with Shiloh. Mr. Valdiserri stated that Rouge has been a long time supplier with Shiloh and will continue as a partner with Shiloh at the new Michigan plant.

Chairperson Rothwell stated that the partnership between Shiloh of Michigan, Inc. and Rouge Steel was a very strong factor in locating the project in Michigan. Mr.Fanello of Shiloh indicated that the MEGA tax credit helped the return on investment work for the company.

It was moved and supported that Resolution 1995-010 awarding tax credits to Shiloh of Michigan, Incorporated be adopted.

ADOPTED:

AYES: Doug Rothwell, Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached), Elizabeth McDermott Chappell, David Porteous, Mark Murray

NAYS: None

Cardell Corporation
2849 Product Drive
Rochester Hills, Michigan 48309

Chairperson Rothwell asked Ms. Blake to give an overview Cardell Corporation's proposed expansion in Rochester Hills, Michigan.

Ms. Kathy Blake first introduced Pauline Millichamp, Michigan Jobs Commission. She then introduced Willard McCardell, President; Richard Knappe, Vice Prsident-Finance and Treasurer of Cardell Corporation; Tom Tikeile, and Mayor McDonald, Mayor of Rochester Hills to the Board.

Ms. Blake presented a summary of the proposed project.

Project Description

Cardell, a manufacturer of customer designed metal stampings for electrical terminals has diversified its product lines into injection and inserted molded products, and open an in-house laboratory to perform various tests for its customers and its own products. Additionally, the company began investing heavily in research and development. The investment has lead to a patented family of electrical connectors that have uses in many markets, including but not limited to, the automotive industry.

Cardell has grown rapidly since its inception and expects that trend will continue as it expands its research and development and engineering functions to meet the needs of the automobile manufacturers and the first tier suppliers that they serve.

Cardell is fully utilizing the five buildings that it presently occupies. The company must make a decision on consolidating its production operations in either Auburn Hills or Columbia, South Carolina. This project would include building a new manufacturing "campus" with the initial five buildings containing their existing employees and those they intend to hire as a result of the MEGA tax credit. There will be an initial investment of more than $44 million in buildings, machinery and equipment. This expansion would create 505 new jobs with an average weekly wage of $688 for a total annual payroll of more than $18 million at full production.

Benefit to State

Based on the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 1,069 jobs in the State by the year 2010. Total state government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $40,475,000 (1995 dollars) due to the presence of the Cardell facility.

This project would create a total of $631million (1995 dollars) in personal income by the year 2010 for Michigan residents. It would also contributed more than $7.1 million to local governments and schools through property tax payments over 12 years.

Cost Analysis

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Columbia, South Carolina and Auburn Hills, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Cardell to establish their manufacturing facility in Auburn Hills rather than Columbia ranges from approximately $170,000 to more than $1,000,000 over the term of the incentive. The cost differential is primarily attributable to tax cost differences and workers compensation and unemployment insurance costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, a MEGA tax credit has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

<u>**Staff Recommendation**</u>

The Michigan Jobs Commission recommends a MEGA employment credit of 75 percent for a period of 15 years. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 75 percent for a period of 15 years.

Chairperson Rothwell questioned if the company could easily relocate to South Carolina? Mr. Stites answered that yes, even though the company would retain its administrative and engineering presence in Michigan without the MEGA tax credit, Cardell could easily choose South Carolina for expansion of its manufacturing operations.

Mr. Stites stated an article had appeared in Crain's stating this was a "done deal". Mr. Rothwell asked if Mr. McCardell could explain this further. Mr. McCardell stated that as part of the local tax abatement process a public hearing was held regarding the Cardell project focusing public scrutiny on it. He added that a target closing date on the deal was originally set for December, subject to due diligence. No member of Crain's staff was in attendance at the meeting but apparently had gotten their information from the Oakland Press who reported this as a "done deal". In fact, the company was looking at other states.

Mr. Porteous questioned why they chose South Carolina as a possible site?

Mr. McCardell stated that an Arthur Anderson study listed South Carolina as one of the top seven states for Cardell. In further survey tests, South Carolina proved to be the best choice for his company's needs.

It was moved and supported that Resolution 1995-011 awarding tax credits to Cardell Corporation be adopted.

ADOPTED:

AYES: Doug Rothwell, Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached), Elizabeth McDermott Chappell, David Porteous, Mark Murray

NAYS: None

<u>**Next Meeting**</u>

Chairperson Rothwell stated that Jim Paquet would be contacting members as to the next possible date for the Executive Committee meeting -- October 19 at 11 a.m.-- and the next possible date for the MEGA meeting -- October 24 at 11 a.m.

Chairperson Rothwell also reported that since April, in eight months, the MEGA had attracted nearly 2,700 new jobs to Michigan. If the MEGA had had the full year to award the 25 tax credits permitted by the law MEGA would have incented as many as 20% of the new jobs created in Michigan annually. The jobs pay above average wages.

Chairperson Rothwell took this time to congratulate the staff on a job well done, with special recognition to Doug Stites, as chief negotiator on MEGA deals.

It was announced that a Press Conference was scheduled at 9 a.m. with Governor Engler, Shiloh of Michigan, and Cardell Corporation.

Adjournment

The meeting was adjourned at 8:35 a.m.