

Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 North Washington Square, 4th Floor, Lansing, Michigan on October 24, 1995 at 11:00 a.m.

Members Present:

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

Members Absent:

John McCormack
William LaMothe

Others Present:

Nancy Douglas, Executive Director, Menominee Chamber of Commerce
Thomas J. Kuber, CEO, Aspen Bay Pulp & Fibre
Jim Donaldson, 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

Call To Order

The meeting was called to order by Chairperson Rothwell at 11:12 a.m.

Adoption of Minutes from October 2, 1995 Meeting

It was moved, supported and carried that the Minutes from the October 2, 1995 meeting be adopted.

Public Comment

None

Action Items

Aspen Bay Pulp & Fibre
701 4th Avenue
Menominee, Michigan 49858-0727

Chairperson Rothwell stated that the Executive Committee had met several days ago and had recommended that the Board approve the Aspen Bay project which will create 359 jobs over the term of the tax credit. He also stated that if Aspen is approved, MEGA tax credits will have been awarded to nine companies.

Chairperson Rothwell then introduced Jim Donaldson of the Michigan Jobs Commission.

Mr. Donaldson introduced Thomas Kuber, CEO of Aspen Bay Pulp and Fibre; Nancy Douglas, Executive Director, Menominee Area Chamber of Commerce; Mike Pohnl, Michigan Jobs Commission, and Al Aceves, Michigan Jobs Commission.

Mr. Donaldson presented a summary of the proposed project.

History of Company

Aspen Bay Pulp & Fibre will be an affiliate of and will have the same top management as Great Lakes Pulp & Fibre. Great Lakes Pulp & Fibre is a development company that originated in 1992 for the purpose of building the world's most technically advanced de-inked recycling pulp mill. Great Lakes Pulp & Fibre successfully completed their \$214 million financial underwriting in December, 1994. This mill is currently under construction in Menominee and is expected to begin operations in May of 1996.

Project Description

Aspen Bay will use project financing to establish a state of the art mill to produce bleached chemo-thermo-mechanical pulp (BCTMP) which will be used by other domestic mills to produce high quality printing and writing paper. Competing for the mill is Peshtigo, Wisconsin which is 6 miles south of Menominee. BCTMP is an environmentally friendly process which uses no chlorine and is also more efficient, requiring half the wood to produce a given amount of pulp. The mill project includes building a new processing plant for pulp that would result in the investment of more than \$183 million in building, equipment, pollution control equipment and infrastructure. The mill project will create

95 new jobs with an average weekly wage of \$770 for a total annual payroll of more than \$3.8 million at full production. It is expected that some of this pulp production will be exported.

Cost Analysis

The advantage of the Wisconsin site is that it could benefit from its proximity to the Badger Paper Mill. Pulp could be used by Badger direct from Aspen Bay without drying. Wisconsin does not tax personal property. Based on figures obtained from the company, the annual cost disadvantage for Aspen Bay to establish their facility in Menominee rather than Peshtigo ranges from approximately \$700,000 to \$1,400,000 over the term of the incentive.

The MEGA tax credit has been offered to off-set the variance in cost and to provide an incentive to facilitate this investment. Local assistance will include a property tax abatement worth \$11.7 million over 12 years. Other state assistance includes a 6 mill school tax abatement and job training.

Benefit to State

Based on the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 359 jobs in the State by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$17,734,000 (1995 dollars) due to the presence of the Aspen Bay processing plant.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 95 new employees and a business activity credit of 75 percent for a period of 10 years.

Mr. Rothwell asked Mr. Kuber to elaborate on the proposed co-generation plant for the project.

Mr. Kuber responded that a 110 mega watt facility is proposed to produce steam for Aspen Bay and the nearby Great Lakes Pulp facility and Menominee Paper. The plant will be gas fired and will employ 30-35 people and require a \$70-100 million capital investment.

Ms. McDermott Chappell asked if BCTMP gave Aspen Bay a market advantage?

Mr. Kuber stated that Aspen Bay will produce a BCTMP suitable for use in printing and writing grade paper. It will be the first chlorine free mill in the United States. The high-yield pulping technology produces pulp that is competitive with traditional northern hardwood kraft in quality, but requires lower capital and operating costs because it uses half the wood of conventional mills.

The mill is proposed to be constructed on a 20-acre site along the Menominee River in Menominee, Michigan on a deep-water port that serves ocean-going vessels via the Great Lakes. Up to 60% of the product will be exported. The proposed site is immediately to the east of a 490,000 square foot warehouse owned by K&K Warehousing. The affiliated Great Lakes Pulp & Fibre mill, which is currently under construction, is immediately to the west of the warehouse.

Mr. Kazmierski asked how wood is to be delivered?

The fiber input for the mill will be wood chips which will be delivered from a proposed wood yard to be established in the Menominee/Marinette area. This new facility will receive, Aspen, either in 100' or tree lengths by truck or rail which will then pass through a chipping operation prior to delivery to the mill for processing.

Mr. Porteous stated he thought the Aspen Bay project would be very good for the Menominee area.

It was moved and supported that Resolution 1995-012 awarding tax credits to Aspen Bay Pulp & Fibre be adopted.

ADOPTED:

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

NAYS: None

It was announced that the next meeting is scheduled for November 14 at 10:00 a.m.

Adjournment

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