

Adopted Minutes

A regular meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 North Washington Square, Lansing, Michigan on November 19, 1996 at 10:00 a.m.

Members Present:

Doug Rothwell
Mark Haas (acting for and on behalf of Doug Roberts, authorization attached)
William LaMothe
John McCormack (via telephone)
David Porteous
Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached)
Mark Murray

Members Absent:

Beth Chappell

Others Present:

Al Aceves, Michigan Jobs Commission
Dawn Baetsen, Michigan Jobs Commission
Jim Donaldson, Michigan Jobs Commission
Amy Lane, Crain's Detroit Business
Rich Nawrocki, CMI International, Inc.
Jim Paquet, Secretary to the MEGA
Mike Pohnl, Michigan Jobs Commission
Jim Tobin, Michigan Jobs Commission
John Wernet, Attorney General's Office
Trig Vigmostad, Lansing Regional Chamber of Commerce
B.G. Staffan Lundback, Nixon, Hargrave, Devans & Doyle, LLP
Thord Jonsson, President, Plannja HardTech
Steven Arwood, Michigan Jobs Commission

Call To Order

The meeting was called to order by Mr. Rothwell.

Adoption of the Minutes from the October 8, 1996 Meeting

It was moved, supported, and carried that the Minutes from the October 8, 1996 meeting be adopted.

Public Comment

None

Action Items

Plannja HardTech AB
S-971 88
Lulea, Sweden

Mr. Rothwell introduced Al Aceves of the Michigan Jobs Commission.

Mr. Aceves introduced Trig Vigmostad of the Lansing Regional Chamber of Commerce and he in turn introduced Staffan Lundback, Counsel to Plannja HardTech and Thord Jonsson, President of Plannja.

Mr. Aceves presented a summary of the project.

Plannja HardTech AB, part of the Swedish Steel AB (SSAB) Group, is Scandinavia's leading producer of processed steel and aluminum building sheet. The company has facilities in Sweden, Norway, Denmark, England, and Germany. Plannja HardTech AB manufactures and markets safety components for the automotive industry. Major customers include Ford, Jaguar, and others. Total employment for Plannja HardTech AB is approximately 546. Worldwide, SSAB employs approximately 9,857.

The company is considering Mason, Michigan, or Aiken, South Carolina, for their first manufacturing facility in the United States (U.S.). The plant will provide steel parts for the auto industry, including lateral crash guards, bumper rails, reinforcements in roof structures, door posts, protective plates, and seat frames. This plant will supply The Big Three and several foreign-domestic auto companies in the Midwest and southern states. The project will require the company to invest approximately \$54 million, in addition to creating 225 new jobs paying an average weekly wage of \$540. The company has an employee benefit package that averages approximately 30 percent of payroll. Annual payroll will be approximately \$6.3 million at full production.

According to the economic analysis done by the University of Michigan, we estimate the facility will generate a total of 814 new jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$40,371,000 (1996 dollars) due to the presence of the Plannja HardTech AB facility.

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Aiken, South Carolina, and Mason, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Plannja HardTech AB to establish their manufacturing facility in Mason, Michigan, rather than Aiken, South Carolina, ranges from approximately \$616,000 to \$828,000 annually over the term of the incentive. The cost differential is primarily attributable to wages and taxes. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and South Carolina.

The state of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of 12 years, worth up to \$1,346,741. Workforce development assistance at \$2,500, for up to 225 employees with a total value of \$562,500 will also be provided. Additionally, the Michigan Jobs Commission will lend approximately \$1,386,000 to the City of Mason Local Development Finance Authority (LDFA) to acquire 63 acres of property. The LDFA will repay the Michigan Jobs Commission over a 15-year period. Furthermore, the Michigan Jobs Commission will provide a Community Development Block Grant, in the amount of approximately \$1 million, to the city of Mason for off-site public infrastructure improvements.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$6,334,173. Additionally, the Mason LDFA will contribute approximately \$1,822,000 toward site preparation work.

The company has examined the cost differential between locating in South Carolina and Michigan, and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset tax and wage differentials. The ability to offer MEGA to the company will allow it to locate in Michigan and help offset the inherent advantages of proximity to BMW and Mercedes in South Carolina.

Staff Recommendation:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 225 net new employees and a business activity credit of 50 percent for a period of 15 years.

Mr. Rothwell asked Mr. Porteous to report on the Executive Committee's consideration of the Plannja project.

Board Members' Discussion

Mr. Porteous indicated that it was a pleasure to welcome our visitors from Sweden and reported that the Executive Committee had discussed the project extensively. He stated that the company was definitely coming to the U.S., the only question was where. With a MEGA award, Michigan is very competitive with South Carolina which also is providing an array of incentives. Mason's proximity to the heart of the auto industry was also helpful in overcoming the benefits of South Carolina, which has attracted a number of Swedish companies recently. He expressed confidence that without the MEGA award Plannja would not locate in Michigan.

Mr. Porteous stated that the committee had also discussed the competitive impact on Michigan firms of bringing the new company into the state. Mr. Murray stated his view that, the core issue was doing what was best for Michigan taxpayers. He noted that Plannja had a unique product niche and process and would be locating somewhere in the U.S. He expressed comfort with moving forward on the proposed award. He also recommended that a review of information related to the competitive impacts of providing incentives to a particular company should be considered.

Mr. Porteous stated that the Plannja project highlighted the need to compete aggressively to avoid erosion of our manufacturing base. He cited MEGA's importance in that process and the need to extend the MEGA sunset.

It was moved, supported, and carried that Resolution 1996-018 awarding tax credits to Plannja HardTech, AB be adopted.

ADOPTED:

Ayes: Doug Rothwell, Mark Haas (acting for and on behalf of Doug Roberts, authorization attached), John McCormack (via telephone), William LaMothe, Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached), David Porteous, Mark Murray

Nays: None

Mr. LaMothe expressed his pleasure that such an outstanding Swedish company had decided to come to Michigan.

Mr. Rothwell announced that the next MEGA meeting is scheduled for December 10.

The meeting adjourned.