

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held on the 4th Floor of the Victor Office Center, at 201 North Washington Square, Lansing, Michigan on November 18, 1997 at 10:00 a.m.

Members Present:

Doug Rothwell
David Porteous
Beth Chappell (via phone)
William LaMothe
John McCormack (via phone)
Mark Murray
Mark Haas (acting for and on behalf of Douglas Roberts)

Members Absent:

Phil Kazmierski (acting for and on behalf of James R. DeSana)

Others Present:

Glenn Azuma, Principal, Trkla, Allen, Pettigrew & Payne
Dawn Baetsen, MEGA Specialist, Michigan Jobs Commission (MJC)
Bud Brian, CEO, BUDCO
Donna Brian, Marketing Manager, BUDCO
Cristine Dreese, Secretary, MJC
Jim Donaldson, Outstate Regional Director, MJC
Dennis S. Evans, Director, Community & Economic Dev., City of Highland Park
Larry Gormezano, Manager, Detroit Office, MJC
Amy Lane, Reporter, Crain's Detroit Business
Mark Montana, Senior Vice President, Trammell Crow Company
Jim Paquet, Secretary to the MEGA Board, MJC
Mike Pohnl, MEGA Specialist, MJC
Brent Reeder, Executive Vice President, BUDCO
Jim Tobin, Director, Public Affairs, MJC
John Wernet, Attorney General's Office
Roger Woolstenhulme, Managing Director, Trammell Crow Company

Call To Order

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

Adoption of the Minutes from the September 9, 1997 Meeting

It was moved, supported, and carried that the minutes from the September 9, 1997 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***Brian Unlimited Distribution Company, Inc. (BUDCO)
13131 Lyndon Avenue
Detroit, Michigan 48227-3973***

Chairperson Rothwell introduced Jim Donaldson from the MJC and then asked him to present the BUDCO project. Mr. Donaldson introduced Larry Gormezano who in turn introduced Bud & Donna Brian, Brent Reeder, Dennis Evans, Glenn Azuma, Mark Montana and Roger Woolstenhulme. Mr. Donaldson then summarized the key points from the briefing memo on the project.

Project Description

BUDCO is a privately held company started in 1981. Each of BUDCO's subsidiaries is located in the City of Detroit. BUDCO sells nationally providing complex printing services, teleservicing support, and related marketing to large corporations. Products include dealer service manuals and support services, product manuals, and related telecommunications support.

In order to meet growth objectives, the BUDCO has decided to consolidate the operations of its subsidiaries. After consideration of various sites, BUDCO would like to consolidate its operation either in Highland Park, Michigan, or Wood County, Ohio, near Toledo. The project is projected to create 563 new jobs by the year 2001. The initial average wage will be \$15.80 an hour for an average weekly wage of \$632. The company will transfer its existing 407 employees to the new facility.

Direct capital investment by BUDCO would be approximately \$6.8 million for leasehold improvements of \$3.1 million and \$3.7 million for machinery and equipment acquisition.

Construction is expected to begin January 1998. Production could begin the second quarter of 1999 and would be fully operational by the end of the first quarter of 2000.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 847 jobs in the state by the year 2016. Total net state government revenues through the year 2016 would be increased by \$32,208,000 (1997 dollars) due to the presence of the BUDCO facility.

The cost disadvantage for BUDCO to establish its manufacturing facility in Highland Park, rather than Wood County, Ohio, ranges from approximately \$500,000 to \$3,000,000 annually over the term of the incentive. The cost differential is primarily attributable to taxes and incentives, electric utility costs, and lease costs.

The City of Highland Park will provide a 50 percent property tax abatement for a period of 12 years, worth approximately \$3,144,000. Highland Park may also provide added security and fire protection to the industrial park area.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 95 percent for a period of 12 years and 42 percent for the following five years for up to 563 net new jobs.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee, indicating that it was recommending the BUDCO project to the full Board. He noted that BUDCO is not a very old company and already has an excellent reputation in its industry with a future that looks extremely bright. The Executive Committee discussed whether the company was serious about moving to another state given that all of their manufacturing facilities are here in Michigan. The Executive Committee concluded that the company was serious about moving to Ohio. In reaching that conclusion the committee gave weight to the work of well-respected site consultants the company had hired who did a very extensive and comprehensive search for alternate locations and had recommended the Toledo site. Mr. Porteous also noted that Toledo is not far from their current facilities and that BUDCO's current workers could commute to Toledo and that those who did not could be replaced by workers from Toledo. Chairperson Rothwell then asked for questions from the Board.

A question was raised about the reference in the BUT FOR section of the briefing memo, which stated the consultants recommended the site outside of Michigan for image reasons. A representative of the consulting firm explained that the company's existing facilities could not match the new image BUDCO wanted to portray nationally and that new facilities were recommended. It was not an issue of Ohio having a better image than Michigan. Vice Chairperson Porteous pointed out two other positives of the project; that this is the 1st project the MEGA would be awarding in Highland Park and that the project would be located in one of Michigan's Brownfield Development sites.

It was moved, supported, and carried that Resolution 1997-016 awarding tax credits to BUDCO be adopted.

Hess Industries, Incorporated - Amending Resolution

Chairperson Rothwell presented the amendment. He stated that the Hess Industries project was delayed by the local community (Niles) due to the infrastructure not being ready. Mr. Murray suggested we draft a letter to the community expressing the Board's displeasure at being put in a position of having to amend the MEGA tax credit agreement because of delays caused by the local community.

The Board concurred with Mr. Murray and requested that a letter be drafted by staff.

Mr. Porteous indicated that the Executive Committee was in full support of granting the amendment for Hess Industries, Incorporated and recommended approval of Resolution 1997-017 to authorize an extension of Hess Industries' Anniversary Date.

It was moved, supported, and carried that Resolution 1997-017 authorizing the extension of the Anniversary Date for Hess Industries, Incorporated be adopted.

A. O. Smith Corporation - Amending Resolution

Chairman Rothwell presented the amendment. At its July 26, 1995 meeting, the MEGA granted a tax credit (Resolution 1995-007) to A. O. Smith Corporation.

A. O. Smith Corporation constructed a manufacturing facility in Plymouth Township to assemble structural components for the automotive industry. All of A. O. Smith's automotive assets, including the Plymouth Township facility, have been acquired by Tower Automotive Products Company, Inc.

The proposed resolution authorizes the transfer of A. O. Smith Corporation's MEGA tax credit to Tower Automotive Products Company, Inc. and has the full support of the Executive Committee.

It was moved, supported, and carried that Resolution 1997-018 allowing the transfer of the MEGA tax credits from A. O. Smith Corporation to Tower Automotive Products Company, Inc. be adopted.

Adoption of 1998 Meeting Schedule

It was moved, supported, and carried that the proposed 1998 MEGA Meeting Schedule be adopted, recognizing that changes may be required.

Other Business

Chairperson Porteous recommended that the MJC staff draft a resolution on behalf of the MEGA Board acknowledging and thanking Mr. Murray for all of his hard work, dedication, and participation on the Executive Committee and the MEGA Board. It was noted that Mr. Murray would be greatly missed. Board members spoke individually to Mr. Murray and wished him well in his new position at Michigan State University.

Mr. LaMothe described a new program in the Battle Creek area called "Drug's Don't Work" to the MEGA Board. The program is currently being implemented at various Michigan businesses and involves preemployment testing and assistance to substance abusers. Mr. LaMothe asked if there was a way that information about the program could be made a part of our effort to recruit new companies to Michigan.

Chairperson Rothwell commented that it was an excellent idea and asked the staff to think about ways to incorporate information on the Drugs Don't Work program into the process of "courting" new companies to locate in Michigan.

The meeting was adjourned by Chairperson Rothwell at 10:35 a.m.