

## Adopted Minutes

A rescheduled 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 December 17, 1996 at 2:00 p.m.

### Members Present:

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

### Others Present:

Al Aceves, MEGA Specialist, International & National Business Development (INBD), Michigan Jobs Commission (MJC)  
Steven Arwood, Director, INBD, MJC  
Greg Burkart, Deputy Director, INBD, MJC  
Ted Dearing, Mayor, City of Battle Creek  
Jim Donaldson, Outstate Regional Director, MJC  
Cristine Dreese, Secretary, MJC  
Frank Ferro, MEGA Specialist, INBD, MJC  
Jae-Jin Kim, Ph.D., MSU Bilateral Trade Team  
Amy Lane, Crain's Detroit Business  
Young J. Lee, Kwang Jin Sang Gong Co., Ltd.  
Gill-Chin Lim, Ph.D., MSU Bilateral Trade Team  
Dennis Marvin, Consumers Power Company  
Michael Miller, Director, VIPP, ISD, MSU  
Jim Paquet, Secretary to the MEGA, MJC  
Choon J. Rhee, Kwang Jin Sang Gong Co., Ltd.  
Gerry Spencer, Arthur Andersen LLP  
Douglas E. Stites, Chief Operating Officer, MJC  
Doug Voshell, Account Manager, Economic Development Services, MJC  
Gina Welscott, Battle Creek Unlimited  
John Wernet, Attorney General's Office

### Call To Order

The meeting was called to order by Chairman Rothwell at 2:35 p.m.

### **Adoption of the Minutes from the November 19, 1996 Meeting**

It was moved, supported, and carried that the minutes from the November 19, 1996 meeting be adopted.

### **Public Comment**

There were no comments from the public.

### **Action Items**

***Kwang Jin Sang Gong Co., Ltd.  
1607 East Big Beaver Road  
Suite 150  
Troy, Michigan 48083***

Chairman Rothwell introduced Al Aceves of the MJC and stated that Mr. Aceves would be presenting a brief summary of the proposed project to the MEGA Board. Mr. Aceves in turn asked Frank Ferro of the MJC to introduce the individuals from Kwang Jin Sang Gong Co., Ltd. Mr. Ferro introduced Young J. Lee, Engineering Manager, Kwang Jin Sang Gong Co., Ltd.; Choon J. Rhee, Vice President, Kwang Jin Sang Gong Co., Ltd.; Dr. Gill-Chin Lim, MSU Bilateral Trade Team; Dr. Jae-Jin Kim, MSU Bilateral Trade Team; Ted Dearing, Mayor, City of Battle Creek; Gerry Spencer, Arthur Andersen LLP; Gina Welscott, Battle Creek Unlimited; Michael Miller, Director, VIPP, ISD, MSU; and Dennis Marvin, Consumers Power Company.

### **History of the Company**

Kwang Jin Sang Gong Co., Ltd. was founded in 1973 and opened its Troy liaison office in November 1994. Presently, Kwang Jin Sang Gong Co., Ltd. operates a sales and administrative office in Troy and has six employees. Kwang Jin Sang Gong Co., Ltd. manufactures window regulators, hood latches, trunk latches, and floor pedals for the automotive industry in Korea. Their North American operation will produce window regulators for General Motors. The company presently supplies approximately 5.3 million window regulator mechanisms per annum to Hyundai, Daewoo, and General Motors from its Korean plant. Annual sales for the company are about \$70 million. Total employment for Kwang Jin Sang Gong Co., Ltd. is approximately 500.

### **Project Description**

The company is considering Battle Creek, Michigan or Gainesville, Georgia, for its first manufacturing facility in North America. This plant will manufacture door window regulator mechanisms for the auto industry. Specifically, the company has received purchase orders from General Motors covering six product lines. The total volume of vehicles covered presently by these purchase orders is approximately 1.2 million cars up to the year 2002. In addition to the manufacturing operations, Kwang Jin Sang Gong Co., Ltd. will also operate a research and development center and appropriate testing facilities for its products. This project will require the company to invest approximately \$9 million, in addition to creating 199 new jobs. The average

weekly wage is approximately \$550. Annual payroll will be approximately \$5.7 million at full production. The company has an employee benefit package that averages 27 percent of payroll.

It is anticipated that Kwang Jin Sang Gong Co., Ltd. will establish a wholly-owned subsidiary, Kwang Jin America, Inc., in early 1997, to operate in Battle Creek, Michigan. At that time, the MEGA tax credit will be transferred from Kwang Jin Sang Gong Co., Ltd. to Kwang Jin America, Inc.

### **Benefit to the State**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 683 new jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$18,099,000 (1996 dollars) due to the presence of the Kwang Jin Sang Gong Co., Ltd. facility.

### **Cost Analysis**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Gainesville, Georgia, and Battle Creek, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Kwang Jin Sang Gong Co., Ltd. to establish their manufacturing facility in Battle Creek, Michigan, rather than Gainesville, Georgia, ranges from approximately \$538,000 to \$1,263,00 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 Georgia.

### **Other State and Local Assistance**

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 \$193,360.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$997,417. Additionally, Battle Creek will sell approximately 10 acres of property to the company at a reduced cost.

### **But For**

The company has examined the cost differential between locating in Gainesville, Georgia, 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 the 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 its supplier base and current customer base.

### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 12 years for up to 199 net new jobs, and a business activity credit of 100 percent for a period of six years.

### Board Members' Discussion

Mr. Porteous stated that he and the Executive Committee of the MEGA Board met and had reviewed this project thoroughly with Michigan Jobs Commission staff. Mr. Porteous indicated that:

Kwang Jin Sang Gong Co., Ltd. is one of the first Korean auto-related companies that has considered locating within Michigan.

There are other Michigan companies that manufacture the same type of product that Kwang Jin Sang Gong Co., Ltd. will produce. Because Kwang Jin Sang Gong Co., Ltd. has contracts already in place with the auto industry, it will be competing with those companies. The MEGA credit will assure that the jobs come to Michigan, as well.

Mr. Porteous felt that staff of the Michigan Jobs Commission had worked hard to draft a proposal that met the needs of the company and the State and he believes that the proposal is a good one.

Mr. Porteous also expressed how impressed he was with the involvement from the Battle Creek community and organizations and he also acknowledged how much time and effort they had put into this project to help make it happen.

Mr. Porteous was optimistic and pointed out that not only was Michigan at the beginning of a long-term and hopefully prosperous relationship with Kwang Jin Sang Gong Co., Ltd., but also that Michigan might be opening the door to opportunities and relationships with other Korean firms.

It was moved, supported, and carried that Resolution 1996-019 awarding tax credits to Kwang Jin Sang Gong Co., Ltd. be adopted.

### ADOPTED:

AYES: Doug Rothwell, David Porteous, Beth Chappell (via phone), William LaMothe (via phone), John McCormack (via phone), Mark Murray, Mark Haas (acting for and on behalf of Douglas Roberts), and Phil Kazmierski (acting for and on behalf of Robert Welke)

NAYS: None

**Worthington Industries, Incorporated - Amending Resolution**

Chairman Rothwell presented the amendment.

At its August 13, 1996 meeting, the MEGA granted a tax credit (Resolution 1996-014) to Worthington Industries, Incorporated with the understanding that the credit would be transferred to a joint venture to be created by Worthington.

That joint venture has now been organized as Spartan Steel Coating, LLC.

Also, in its application to the MEGA, Worthington Industries, Inc. indicated it would pay an average weekly wage of at least \$728. The company has since eliminated one senior managerial position and has added one technical position thus the average weekly wage expected to be paid to employees performing the 110 new jobs that are the basis for the MEGA award, has been reduced to \$710.

The proposed resolution authorizes the transfer of the Worthington Industries tax credit to Spartan Steel Coating, LLC, and reduces the average weekly wage to \$710.

It was moved, supported, and carried that Resolution 1996-020 for Spartan Steel Coating, LLC be adopted.

ADOPTED:

AYES: Doug Rothwell, David Porteous, Beth Chappell (via phone), William LaMothe (via phone), John McCormack (via phone), Mark Murray, Mark Haas (acting for and on behalf of Douglas Roberts), and Phil Kazmierski (acting for and on behalf of Robert Welke)

NAYS: None

**Dow Chemical Company - Amending Resolution**

Chairman Rothwell presented the amendment.

At its June 11, 1996 meeting, the MEGA granted a tax credit (Resolution 1996-008) to Dow Chemical Company.

Subsequent to the adoption of Resolution 1996-008, the Company discovered that it had, in good faith, made an error in its application, reporting its base employment as 7,114 full-time jobs, when in fact, at the time of application, it actually had 6,889 full-time jobs.

The Company also discovered that it had erroneously included discretionary variable compensation and bonuses in its calculation of the average weekly wage, resulting in an average weekly wage of \$1,320, rather than \$1,150 that will actually be paid as an average weekly wage on this project.

The proposed resolution will revise the tax credit to reflect the Company's actual employment at the time of the application for the tax credit and payment of an average weekly wage which excludes discretionary variable compensation.

It was moved, supported, and carried that Resolution 1996-021 for Dow Chemical Company be adopted.

**ADOPTED:**

**AYES:** Doug Rothwell, David Porteous, Beth Chappell (via phone), William LaMothe (via phone), John McCormack (via phone), Mark Murray, Mark Haas (acting for and on behalf of Douglas Roberts), and Phil Kazmierski (acting for and on behalf of Robert Welke)

**NAYS:** None

**Adoption of 1997 Meeting Schedule**

It was moved, supported, and carried that the proposed 1997 MEGA Meeting Schedule be adopted, recognizing that changes may be required.

**ADOPTED:**

**AYES:** Doug Rothwell, David Porteous, Beth Chappell (via phone), William LaMothe (via phone), John McCormack (via phone), Mark Murray, Mark Haas (acting for and on behalf of Douglas Roberts), and Phil Kazmierski (acting for and on behalf of Robert Welke)

**NAYS:** None

At this time, Mr. Stites announced that the MEGA legislation had been extended 3 years beyond the original sunset date of December 31, 1996. The limit allowing the MEGA Board to award a maximum of 25 tax credits per year was not changed.

The meeting was adjourned by Chairman Rothwell at 3:05 p.m.