

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, 1997 at 9:30 a.m.

Members Present:

Doug Rothwell
David Porteous
Phil Kazmierski (acting for and on behalf of James R. DeSana)
William LaMothe (via phone)
John McCormack
Mark Murray
Fred Headen (acting for and on behalf of Douglas Roberts)

Members Absent:

Beth Chappell

Others Present:

Al Aceves, Deputy Director, International & National Business Development (INBD), Michigan Jobs Commission (MJC)
Greg Burkart, Director, INBD, MJC
Nancy C. Cassis, State Representative, 38th District
Linda Dankoff, Account Manager, MJC
Cristine Dreese, Secretary, MJC
George C. Fricke, Project Manager, GE Plastics
Todd Hipwell, Senior Tax Accountant, Bayer Corporation
Bob Knightly, Manager - U.S. Income/Franchise Tax, GE Plastics
Amy Lane, Reporter, Crain's Detroit Business
Doug Nutter, Director, Global Glazing Business, GE Plastics
Jim Paquet, Secretary to the MEGA Board, MJC
Becky Ross, Economist/Fiscal Analyst, Senate Fiscal Agency
Susan Shafer, Public Affairs, Communications, MJC
Marc A. Speiser, Administrative Assistant, Senator John J. H. Schwarz, M.D.
Jim Tobin, Director, Public Affairs, MJC
Maria Tyszkiewicz, Fiscal Analyst, Senate Fiscal Agency
John Wernet, Assistant Attorney General, Attorney General's Office
Jay Wortley, Senior Economist, Senate Fiscal Agency

Call To Order

The meeting was called to order by Chairperson Rothwell at 9:35 a.m.

Adoption of the Minutes from the November 18, 1997 Meeting

It was moved, supported, and carried that the minutes from the November 18, 1997 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***GE/Bayer Automotive Glazing Joint Venture
1 Plastics Avenue
Pittsfield, Massachusetts 01201***

Chairperson Rothwell introduced Greg Burkart from the MJC. Mr. Burkart thanked GE Plastics and Bayer for being there today and then introduced Al Aceves and asked him to present the GE/Bayer project. Mr. Aceves introduced Doug Nutter and Bob Knightly from GE Plastics. He gave some background on the 50/50 GE/Bayer Joint Venture which would focus on developing polycarbonate window glazing. He then summarized the key points from the briefing memo on the project.

Project Description

General Electric (GE) is a global company with about 222,000 employees worldwide and total revenues of \$79 billion in 1996. The parent company will hold the interest in this venture.

Bayer Corporation is a \$9 billion, research-based company with over 24,000 employees and diversified businesses concentrated in health care and life sciences, chemicals, and imaging technologies.

The joint venture is considering Wixom, Michigan or Hebron, Kentucky for a research and development and prototype manufacturing facility which will provide plastic windows for automotive applications. The project will require the company to invest approximately \$25 million, in addition to creating 83 new jobs. The average weekly wage will be approximately \$1,358, with payroll of approximately \$5.9 million at full production. The project is a prelude to a larger manufacturing facility which the joint venture expects to undertake in the year 2004.

The economic analysis done by the University of Michigan estimates the facility will generate a total of 192 new jobs in the state by the year 2021. Net state government revenues through the year 2021 would increase by \$11,575,000 (1997 dollars) due to the presence of the GE/Bayer Automotive Glazing JV.

Based on figures obtained from the company, the annual cost disadvantage to establish the manufacturing facility in Wixom, Michigan, rather than Hebron, Kentucky, ranges from approximately \$979,000 to \$1,500,000 annually over the term of the incentive. The cost differential is primarily attributable to wage, electrical, and tax costs.

The State of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of 5 years, worth up to \$308,000. Local assistance will be in the form of a 5-year, 50 percent tax abatement valued at \$1,107,000. The city of Wixom will recommend to its city council that the project be given a 5-year tax abatement which may be renewed for 5 years if the building lease is renewed.

The ability to offer MEGA to the company will allow Michigan to be in a strong position to attract the joint venture's manufacturing plant in the year 2004. Because corporate policy for both joint venture partners has been to consolidate manufacturing operations with research and development functions in the past, the company would not consider locating in Michigan without the MEGA tax credit to offset wage, electrical, and tax differentials.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit as follows:

- A. 50 percent credit for years 1-5
- B. 75 percent credit for years 6-10
- C. 100 percent credit for years 11-20.

In addition, the Michigan Jobs Commission recommends a business activity credit for 100 percent for years 1-5.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee, indicating that it was recommending the GE/Bayer project to the full Board. He said the project brings leading edge technology to our state. If successful, the presence of the project here may lead to further expansion by GE Plastics and Bayer in Michigan. He also noted that the joint venture will pay excellent wages to its employees.

He stated this particular MEGA project would not create 75 new jobs until the year 2002. He commended the staff for its flexibility and creativity in structuring an incentive package to attract the project. He noted that any competitive impact of the joint venture would be felt, whether the project located in Michigan or Kentucky.

Chairperson Rothwell asked for discussion from the Board. One of the members asked if it was unique that GE/Bayer was going to lease the building and land for the project. Mr. Burkart explained that the reason for the lease was that the project had to be up and running quickly. The MEGA incentive was structured to provide an incentive to the joint venture to renew the lease every five years. Mr. Paquet indicated that several other MEGA projects involved leased facilities.

Mr. McCormack asked for more information about the joint venture's product. Mr. Nutter explained that the joint venture would develop polycarbonate plastic windows that would meet federal safety requirements for passenger cars. He added that the windows would also have applications in the aerospace and heavy truck industries.

Board Member Murray commented that during a recent series of meetings on the state's bond rating in New York, Detroit and Southeast Michigan were recognized as being the brain center of the auto industry. The location of the project would only add to the perception that Michigan is a leader in automotive technology.

Chairperson Rothwell remarked that the use of plastics had design implications for the entire car. Mr. Nutter expanded on that comment indicating that increased use of plastics could lead to more rapid styling changes and improved aerodynamics.

Board Member LaMothe voiced his support for the Executive Committee's recommendation and expressed his pleasure with the high level of wages and benefits offered to the employees of this joint venture. He asked if there were some special skills needed by the employees. Doug Nutter responded that high skill levels were needed. A number of Ph.D.'s are already on the staff. He also stated that they would immediately be moving some people here from their facilities in Germany and extensive training programs were being developed for the employees.

It was moved, supported, and carried that Resolution 1997-019 awarding tax credits to GE/Bayer be adopted.

Other Business

Chairperson Rothwell took the opportunity to recognize and thank Board Member Mark Murray for his participation with the MEGA. Mr. Murray was presented with a plaque from the MEGA that detailed some of the MEGA's accomplishments during the time he served on the MEGA Board and Executive Committee.

The meeting was adjourned by Chairperson Rothwell at 10:00 a.m.