

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 21, 1999 at 9:00 a.m.

Members Present:

Doug Rothwell
David Porteous
Phil Kazmierski (acting for and on behalf of James R. DeSana)
Mark A. Murray
Mary Lannoye (acting for and on behalf of Janet E. Phipps)

Members Absent:

Beth Chappell
James Garavaglia
John McCormack

Others Present:

Dawn E. Baetsen, Director, National Business Development, Michigan Economic Development Corporation (MEDC)
Kathy Blake, Senior VP, Business Development, MEDC
Jeff Bryant, Economic Development Manager, City of Livonia
William L. Crabtree, Manager - Administrative Services, DCFS
Jim Donaldson, VP, Michigan Business Development (MBD), MEDC
Cristine Dreese, Recording Secretary to the MEGA Board, MEDC
Ruth Ann Dunn
Frank Farmer, Director - Treasury/Administration, Behr America
Frank Ferro, Account Manager, MEDC
Gene Hardy, Secretary & Treasurer, La-Z-Boy Incorporated
Fred Hoffman, State Relations Director, DaimlerChrysler Corporation
Daniel Hoggard, CEO, Northern Diecast
Jeff Kaczmarek, Senior VP, Business Services, MEDC
Kathy Kleckner, Account Manager, MEDC
Mark Klender, Partner/National Director, Deloitte & Touche
Alan J. Koehler, CFO, Northern Diecast
Maureen Krauss, Senior Business Development Rep., Oakland County
Kenneth Labadie, Director of Taxation, La-Z-Boy Incorporated
Penny Launstein, Account Manager, MEDC
Nino Licari, Assessor, City of Troy
Kathleen McMahon, Communications Director, MEDC
Bill Morris, President, Monroe County Industrial Development Corporation

Others Present: (con't.)

Jim Paquet, Secretary to the MEGA Board, MEDC
 Jeff Ratcliffe, Executive Director, Luce County EDC
 John Rocca, Senior Consultant, Deloitte & Touche
 William R. Ross, City Manager, City of Auburn Hills
 Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
 Jennifer Siegel, DC Leasing Coordinator, Webvan Group, Inc. ✓
 Doug Smith, Real Estate & Development, City of Troy
 Phil Tocco, Director - Corporate Facilities, BEHR America ✓

Call To Order

The meeting was called to order by Chairperson Rothwell at 10:20 a.m.

Prior to commencing with the agenda items, Chairperson Rothwell asked individuals in the room to introduce themselves and their affiliations.

Adoption of the Minutes from the November 9, 1999 Meeting

It was moved, supported, and carried that the minutes from the November 9, 1999 meeting be adopted.

Adoption of the Minutes from the December 3, 1999 Special Meeting

It was moved, supported, and carried that the minutes from the December 3, 1999 Special meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***Chrysler Financial Company LLC
27777 Franklin Road
Southfield, Michigan 48034***

Chairperson Rothwell introduced Jim Donaldson from the MEDC and asked him to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

Chrysler Financial is one of the largest automotive finance companies in North America and is the major source of wholesale financing and retail installment financing for Chrysler and Mercedes-Benz dealers and their customers.

The merger of Chrysler Financial and Mercedes-Benz Credit corporations has created the need for a new, larger facility for the headquarters operation. A relocation of the company's headquarters is required to accommodate the staff necessary to centralize the operations and obtain full benefits of merger synergies.

Plans are to build a 360,000 square foot facility on 24 acres of land. Total investment is anticipated at \$63 million for land and building and \$14 million for machinery and equipment. If located in Michigan, the project would require the transfer of 550 jobs from other states and the creation of an additional 744 new jobs, for a total Michigan net new job count of 1,294. These jobs would pay an average weekly wage of \$1,240 (\$31 per hour) as well as provide a benefit package valued at 25 percent of wages.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 3,514 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, would be increased by \$599,391,000 due to the presence of the Chrysler Financial Company's facility.

Sites under consideration for this consolidation are Auburn Hills, Michigan, New York City or Norwalk, Connecticut. Based on figures obtained from the company, the cost disadvantage for Chrysler Financial Company, to establish its facility in Auburn Hills, Michigan, ranges from approximately \$500,000 to \$2,000,000 annually over the term of the incentive. The cost differential is primarily attributable to sales and use tax and property tax increases to the company as a result of the project. Also, it is estimated that the company would have to pay an estimated \$22 million in employee relocation or buy-out costs. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differentials.

The state of Michigan will provide Chrysler Financial Company with Economic Development Job Training funds at \$500 for up to 1,294 net new employees for a total of up to \$647,000.

The city of Auburn Hills will provide extensive road improvements to the surrounding area and provide access to the proposed site. The estimated cost of these improvements is \$2.9 million.

Without the assistance offered by the MEGA program, Chrysler Financial Company would not build a new headquarters in Michigan:

1. The cost of this project exceeds \$100 million of expenses over and above those currently being paid by the company. Cost considerations will be an important determining factor in having this project move forward.
2. The additional tax consequences of putting this facility in Michigan exceed \$2 million per year by the third year.

Despite these factors, Chrysler Financial Company would like to locate this facility close to the DaimlerChrysler Corporation North American Headquarters in Auburn Hills in order to fully enjoy synergies of other corporate staff. It should be noted that this is the first project involving a real merger of the functions of Chrysler Corporation and Daimler-Benz. If the experience goes well in Michigan, the state might capture other merger-related projects in the future.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for a period of 19 years for up to 1,294 net new jobs.

Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee. He stated that the Executive Committee's discussion revolved around whether the project would really happen if it weren't for the MEGA. It was determined that because of relocation expenses there is a considerable cost expense for the consolidation of these offices and that those cost hurdles were significant enough that Chrysler would not locate this project in Michigan without the MEGA award.

Chairperson Rothwell stated the Executive Committee had reviewed and approved what the staff was recommending for the Chrysler project to the full Board. Then he asked for discussion from the Board. There were no questions; therefore, it was moved, supported, and carried that Resolution 1999-017 awarding tax credits to Chrysler Financial Company LLC be adopted.

***Behr America, Inc.
4500 Leeds Avenue, Suite 201
Charleston, South Carolina 29405-8521***

Chairperson Rothwell asked Jim Donaldson to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

Behr America, Inc., is a manufacturer and integrator of air conditioning, engine cooling components, fan and clutch systems and modules for the automotive industry. Behr America is currently headquartered in Charleston, South Carolina and has manufacturing operations in South Carolina, Texas, South Dakota and one under construction in Webberville, Michigan.

The company is searching for a location to construct a new headquarters facility which would also incorporate research, development, engineering, testing, sales and marketing functions. The company has narrowed its search to remaining in Charleston, South Carolina, or moving to Troy, Michigan.

Plans are to construct a new 60,000 square foot facility employing 105 people at an average weekly wage of \$1743 and a benefit package totaling 35 percent of wages. This project would involve the transfer of 13 existing Behr America employees from Walled Lake, Michigan to the new location. Anticipated investment totals \$33.8 million.

Construction is expected to begin in March 2000 and the facility will be fully operational by January 1, 2002.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 202 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs would be increased by \$18,367,000 due to the presence of the Behr America facility.

The company has undertaken a comprehensive cost analysis between Charleston, South Carolina and Troy, Michigan. The cost disadvantage for Behr America to establish its headquarters and technical facility in Michigan rather than South Carolina remains fairly constant at \$2.5 million annually over the term of the incentive. The cost differential is almost entirely attributable to the company being able to enjoy lower wage rates in South Carolina. Michigan Economic Development Corporation staff believes they are a fair representation of the cost differential between Michigan and South Carolina.

The state of Michigan will provide Behr America with a 100 percent abatement of the six-mill State Education Tax estimated to be worth \$372,000 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$1,000 per job for up to 105 net new employees for a total of \$105,000.

The city of Troy will provide a 50 percent property tax abatement of eligible personal property for a period of 12 years worth approximately \$1,246,208. The community will also be providing infrastructure improvements to the site at a cost of approximately \$425,000.

Without the assistance offered by the MEGA program, Behr America would not locate a new facility in Michigan because the cost differential is too large for the company to entirely absorb and capital investment costs are higher in Michigan where a facility would have to be built.

The company feels that if Michigan can help the company to reduce these cost differentials, it would prefer Michigan over the site in South Carolina. Behr America would like to become a major supplier to the Big 3, and a location in Michigan is best-suited for these long-range goals of the company.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 18 years for up to 105 net new jobs.

Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee. He stated the Executive Committee's discussion centered on the fact that the company had established their headquarters in South Carolina to be near their customers.

Chairperson Rothwell also stated that the Executive Committee had determined, after reviewing the project, that because of the cost disparities for Behr to locate in Michigan, rather than South Carolina, they concurred with staff and were recommending the Behr project to the full Board.

Chairperson Rothwell asked for questions from the Board. Vice Chairperson Porteous asked whether the city of Troy was providing a tax abatement? Chairperson Rothwell responded by stating yes and then thanked Doug Smith from the city. He then stated that the abatement was a significant step from the city. At this point, Vice Chairperson Porteous mentioned that it was critical to the MEGA Board that the locals stepped up first and that in itself, helped the project to be approved.

There being no further questions, it was moved, supported, and carried that Resolution 1999-018 awarding tax credits to Behr America, Inc., be adopted.

***La-Z-Boy Inc.
1284 North Telegraph Road
Monroe, Michigan 48162***

Chairperson Rothwell asked Jim Donaldson to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

La-Z-Boy Inc. was founded in Monroe, Michigan in the late 1920's. The company has experienced significant growth of its furniture products in the past few years through internal expansion and through the acquisition of new subsidiaries. In order to support the company's expanding operations, additional administrative support and an information technology division are required.

To accommodate the company's growth needs, 92 jobs will be created within the next two years. The majority of these new positions will be in the information technology department. The average weekly wage for these positions will be \$738.

The company's preferred choice would be to locate this division in its corporate headquarters facility in Monroe. This option would require approximately \$3.6 million in building renovations. The company's other option is to locate with its research and development and manufacturing facilities in Greensboro, North Carolina.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 152 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$5,953,000 due to the presence of the La-Z-Boy Inc. facility.

Based on figures obtained by the company, the cost disadvantage for La-Z-Boy to establish this new division in Monroe rather than Greensboro is roughly \$300,000 to \$700,000 annually over the term of the incentive. Approximately one-half of this cost differential is attributable to wage rates in North Carolina averaging 7 percent lower than in Michigan. The other half of the differential is due to higher taxes in Michigan. In addition, there is an up-front cost differential tied to occupancy costs of approximately \$2 million. Michigan Economic Development Corporation staff believes they are a fair representation of the cost differential between Michigan and North Carolina.

Economic Development Job Training funds will be offered to the company at \$500 for up to 92 net new employees for a total of \$46,000. The city of Monroe has offered to waive all building permit fees and utility hook-up fees, expedite the site plan review process, provide additional water/sewer infrastructure and assist the company with its recruitment activities. The estimated value of the local government incentive package is \$135,000.

Without the assistance offered by the MEGA program, La-Z-Boy Inc., would not locate this new facility in Michigan due to cost factors. The company also believes that it will be more difficult to attract information technology specialists to Michigan than it would be to North Carolina.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment tax credit of 100 percent for 14 years for up to 92 net new jobs.

Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee. He stated that this particular project was discovered through a retention visit to the company. At the time, the company had begun consideration of moving their administration staff to North Carolina. The Executive Committee wanted to retain the administration jobs that the company has in Michigan, especially since the State had already lost the manufacturing portion of the business to North Carolina.

Chairperson Rothwell asked for questions from the Board. There being none, it was moved, supported, and carried that Resolution 1999-019 awarding tax credits to La-Z-Boy, Inc., be adopted.

***Northern Michigan Casting Corp.
c/o Northern Diecast
8582 Moeller Drive
Harbor Springs, Michigan 49740***

Chairperson Rothwell asked Jim Donaldson to present the project. Mr. Donaldson summarized the key points from the briefing memo.

Project Description

Northern Michigan Casting Corp. will be established as a subsidiary of Northern Diecast Corp. Northern Diecast is a magnesium diecaster that has been in business since 1981 in Harbor Springs, Michigan.

In order to accommodate a growth in sales, the company needs to add a new facility for the refining of magnesium ingot and to manufacture automotive and non-automotive diecasting components. The proposed new facility will create 95 new, full-time jobs within three years. The jobs will pay an average weekly wage of \$359 and will provide a benefit package to employees averaging 35 percent of wages.

The company has looked at two alternatives for the siting of this facility. The first is to renovate and lease an existing vacant manufacturing facility in Newberry, Michigan. The second is to purchase an existing diecast operation in Ripley, Tennessee.

If the Michigan site is chosen, the company would need to invest \$2.1 million in land and building as well as \$4.25 million in machinery and equipment. Renovations would begin in March of 2000 and the facility would be fully operational by January 1, 2001.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 157 jobs in the state by the year 2020. Total state government revenues through the year 2020 would be increased by \$6,381,000 due to the presence of the Northern Michigan Casting facility.

Based on figures obtained from the company, the cost disadvantage for Northern Michigan Casting to establish its manufacturing facility in Michigan rather than Tennessee ranges from approximately \$375,000 to \$450,000 annually over the term of the incentive. This cost differential is over and above the additional occupancy costs that will be incurred by the company in Michigan due to the need to renovate the facility, as well as additional equipment costs necessary. The Tennessee plant is an operating diecast facility and has much of the necessary equipment in place. The cost differential range stated above is primarily attributable to the company being able to enjoy lower wage rates and lower energy rates in Tennessee. Michigan Economic Development Corporation staff believes they are a fair representation of the cost differential between Michigan and Tennessee.

The state of Michigan will provide Northern Michigan Casting with a 100 percent abatement of the six-mill State Education Tax worth \$148,284 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$500 per job for up to 95 net new employees for a total of \$47,500. In addition, the state of Michigan will be providing the local community a Community Development Block Grant worth up to \$615,000 to provide infrastructure improvements to the company.

Pentland Township (Newberry) will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$384,921.

Without the assistance offered by the MEGA program, Northern Michigan Casting would not locate a new facility in Michigan because the cost differential is large for a company of this size to absorb. The main benefit of the Tennessee facility is that it is a turnkey operation. There would be a significant start-up time disadvantage to the company due to the renovations that are required on the Michigan facility.

If Michigan can help the company to alleviate these cost differentials, it would prefer the Michigan site and would find it much easier to oversee the operation if it was in Michigan rather than Tennessee.

Staff Recommendation

The MEDC recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 95 net new jobs, and a business activity credit of 100 percent for a period of five years.

Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee. He stated that the Executive Committee's discussion centered on the feasibility of purchasing and renovating a new facility in Tennessee versus renovating the existing facility in Newberry. The Executive Committee looked at the fact that the Newberry community has been hit hard recently and that this would be a very solid project for the community as a whole.

Chairperson Rothwell asked for questions from the Board. Board Member Kazmierski asked if there was another facility in the Newberry area that was owned by the company. Mr. Donaldson responded with no this will be a brand new facility and that it is about 1½ hours away from the company's current facility.

There being no further questions, it was moved, supported, and carried that Resolution 1999-020 awarding tax credits to Northern Michigan Casting Corporation be adopted.

***Webvan Group, Inc.
1241 East Hillsdale Blvd., Suite 210
Foster City, California 94404***

Chairperson Rothwell asked Dawn Baetsen to present the project. Ms. Baetsen summarized the key points from the briefing memo.

Project Description

Webvan is an e-commerce, Internet company offering same-day delivery of food products and general merchandise. The company went public in November 1999.

Webvan is siting a distribution center to serve the Detroit and Toledo metropolitan markets. The company is considering either southeast Michigan or Toledo, Ohio. Investment is estimated at \$47 million, which includes a 300,000 square foot building and machinery and equipment. Employment at the center would reach 900 within a 4-year time period. Average weekly wages will be \$550 (roughly \$13.75 per hour) and a benefit package worth approximately 25% of wages.

The economic analysis done by the University Michigan estimates this facility will generate a total of 1,198 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs would be increased by \$27,336,000 due to the of presence of the Webvan Group, Inc. facility.

Based on figures obtained from the company, the cost disadvantage for Webvan Group, Inc., to establish its distribution facility in Michigan rather than Ohio ranges from approximately \$1.5 to \$4.6 million annually over the term of the incentive. The cost differential is primarily attributable to wages and taxes. Michigan Economic Development Corporation staff believes they are a fair representation of the cost differential between Michigan and Ohio.

The city of Livonia will waive building permits and inspection fees.

Without the assistance offered by the MEGA program, Webvan would not locate its new facility in Michigan due to the large cost differential. A distribution facility can serve a fairly wide geographical area, so it is very appropriate for the company to be looking at northern Ohio to accommodate both the Ohio and Southeast Michigan target markets. Although we are unable to fill the gap entirely, the company feels that putting the project in Michigan makes sense. A Michigan location will be better able to serve southeast Michigan which is a prime market for its service.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 900 net new jobs, and a business activity credit of 100 percent for a period of 15 years.

Board Members' Discussion

Chairperson Rothwell gave the report of the Executive Committee. He stated that a major point of the Executive Committee's discussion was the fact that this company is a brand new type of business coming into Michigan. Chairperson Rothwell asked Ms. Siegel for a further explanation of their company. Ms. Siegel explained that their company is a newer concept where there is a distribution center which also acts as a fulfillment center for products. People can order products from Webvan from the Internet. The order is filled from the facility. Webvan has 10-12 transfer stations that the orders go through where the ordered products are put into carrier vans that deliver the products. At the time the order is placed, the customer can specify a 30-minute window period for delivery. Some of the products the company has available to order include grocery items, home meal replacements, fresh cut flowers, home products, office products, fresh bakery and fresh produce.

Chairperson Rothwell asked for questions from the Board. A Board member had asked how their prices compare to a grocery stores. The answer was that their cost is very comparable to the local grocery stores. It was asked whether there was a delivery charge. The answer was that there is not a delivery charge if the order was over \$50, but there was a \$4.95 fee if the order was under \$50. Someone asked what radius could be served by the Livonia facility. The answer was 40-50 miles. It was asked how many distribution

centers the company had. The answer was that the first one opened in San Francisco and a second center will be opening in May in Atlanta, with four or five other centers lined up to open shortly thereafter.

Chairperson Rothwell asked if there were any further questions. There being no further questions, it was moved, supported, and carried that Resolution 1999-021 awarding tax credits to Webvan Group, Inc., be adopted.

Adoption of the 2000 MEGA Board Meeting Schedule

It was moved, supported, and carried that the proposed 2000 MEGA Board Meeting Schedule be adopted, recognizing that changes may be required.

The meeting was adjourned by Chairperson Rothwell at 11:10 a.m.