

ADOPTED MINUTES

A special meeting of the Michigan Economic Growth Authority (MEGA) was held at the Holiday Inn Select, 1500 Opdyke Road, Auburn Hills, Michigan on December 3, 1999 at 12:00 p.m.

Members Present:

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

Members Absent:

Beth Chappell
John McCormack

Others Present:

Karen Ammarman, Michigan Economic Growth Authority (MEGA) Office, Michigan Economic Development Corporation (MEDC)
Bill Burke, Executive Manager of Development, City of Detroit
Linda Dankoff, MEGA Specialist, Michigan Business Development (MBD), MEDC
Jim Donaldson, Acting VP, MBD, MEDC
Corey A. Leon, Account Manager, MEDC
Ken Myers, General Manager, Meritor Automotive, Inc.
Jim Paquet, Secretary to the MEGA Board, MEDC
Jerry E. Rush, Senior Director, Public Affairs, Meritor Automotive, Inc.
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
Jim Tobin, Vice President - Public Affairs, MEDC
Christine A. Zwicke, Senior Director, Communications, Meritor Automotive, Inc.

Call To Order

The meeting was called to order by Chairperson Rothwell at 12:10 p.m.

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

Public Comment

There were no comments from the public.

Action Item

Meritor Light Vehicle Systems, Inc. ✓
747 Advance Street
Brighton, Michigan 48116

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

Project Description

Meritor Roof Systems, a subsidiary of Light Vehicle Systems, was established in 1997 as a spin-off from Rockwell International. Meritor Roof Systems is headquartered in Frankfurt, Germany. It is the second largest global supplier of sun roofs.

Due to an increase in contracts, and to accommodate anticipated future growth needs. The company has decided that it will build a new facility to accommodate sunroof assembly operations as well as sub-assembly manufacturing for its new encapsulated glass product line. Because much of its customer base is located in southern United States, Meritor is also considering expanding near its new Manning, South Carolina facility.

This project will create 166 new jobs over a five-year period and capital investment of \$52.2 million. Average weekly wages will be \$386 and the employee benefit package averages 35 percent of wages. New hiring will start in 2000, with full production slated for June 1, 2001.

The economic analysis done by the University of Michigan estimates the facility will generate a total of 535 jobs in the state by the year 2017. State government revenues would be increased by \$23,836,000 (1999 dollars), net of MEGA costs, due to the presence of the Meritor Roof Systems facility.

Based on figures obtained from the company, the cost disadvantage for Meritor Roof Systems, Inc., to establish its new manufacturing operation in Detroit rather than Manning is roughly \$2.5 million annually over the term of the incentive. The cost differential is primarily attributable to lower wage rates and transportation and lease rates in South Carolina. The annual occupancy cost advantage of \$1.8 million in rural Manning, South Carolina was not considered in the negotiations because the company chose an expensive Detroit location rather than a comparable rural Michigan site. However, an annual cost disparity of \$500,000 to \$700,000 remains.

Economic Development Job Training funds will also be offered to the company at \$600 per employee for up to 310 employees. The state will also provide a 100 percent abatement of the six-mill State Education Tax, valued at \$914,835.

Because the proposed Michigan site is located in a Renaissance Zone within the City of Detroit, the company will not be paying any local property taxes except debt service millage.

Without the assistance offered by the MEGA program, Meritor Roof Systems, Inc., would not locate a new facility in Michigan. Although the MEGA incentive eliminates only a portion of the cost differential, it tips the scales when other factors affecting the decision are considered.

The company wants to create a showcase facility which will be highly visible to current and potential customers and a Michigan location will enable it to stay closer to its current supply base.

Meritor also feels that being a part of the revitalization of the city of Detroit is consistent with its corporate value of social responsibility.

Staff Recommendation

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 15 years and 50 percent for a period of three years for up to 166 net new jobs, as well as a business activity credit of 100 percent for 10 years beginning in year 6 through year 15.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that one of the issues confronted by the committee in recommending this project was the transfer of jobs from Brighton to Detroit and concern over setting a precedent of supporting such a transfer. Brighton was less than enthusiastic about the move, but the committee recognized that it did nothing the company would leave not just Brighton, but the State. The project is also an important one for the city of Detroit. It is locating in a Renaissance Zone and reusing a site which would otherwise be blighted. There have not been that many projects in the city of Detroit, and this is one which the committee is comfortable recommending to the Board.

Mr. Garavaglia stated that as an employee of Comerica, which has been in Detroit for 150 years, he was happy to have a new neighbor. Chairperson Rothwell asked if there were any questions from the Board. Mr. Kazmierski asked why there was a leasing cost differential? Mr. Donaldson explained that much of the cost was due to the need to reclaim the Detroit site which required some demolition.

Mr. Porteous added that while the project will have a significant impact in the city of Detroit, Brighton should have no problem attracting another company to replace Meritor. Before the members voted, Mr. Paquet corrected an error in the resolution.

Chairperson Rothwell asked if there were any further questions or comments from the Board. There being none, it was moved, supported, and carried that Resolution 1999-016 awarding tax credits to Meritor Light Vehicle Systems, Inc. be adopted.

Mr. Myers, representing the company, thanked the MEGA for its action and the MEDC staff, in particular Corey Leon and Linda Dankoff for their excellent work on the project. He expressed his belief that the project would be a win-win situation benefitting the city, the company, and the State.

The meeting was adjourned by Chairperson Rothwell at 12:45 p.m.