

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 February 14, 1997 at 10:30 a.m.

Members Present:

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

Others Present:

Dawn Baetsen, MEGA Specialist, Michigan Business Development (MBD), Michigan Jobs Commission (MJC)
Karen K. Benson, Association of Commerce & Industry, Grand Haven
Jim Donaldson, Outstate Regional Director, MJC
Cristine Dreese, Secretary, MJC
Haig H. Kassouni, President & CEO, N-K Manufacturing Technologies, Inc.
James Kieft, Vice President of Finance, Nicholas Plastics
Sheila Middaugh, Planning & Public Affairs/Communications, MJC
Jim Paquet, Secretary to the MEGA, MJC
Ken Rizzio, Executive Director, Ottawa County Economic Development
Bob Roberts, President, Weyburn-Bartel Camshaft Group
Sharon Tiemann, MEGA Specialist, MBD, MJC
John Wernet, Attorney General's Office

Call To Order

The meeting was called to order by Chairman Rothwell at 10:35 a.m.

Adoption of the Minutes from the December 17, 1996 Meeting

It was moved, supported, and carried that the minutes from the December 17, 1996 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***Weyburn Acquisition Corporation
U.S. 31 and M-45
Grand Haven, Michigan 49417***

Chairman Rothwell introduced Jim Donaldson of the MJC and stated that Mr. Donaldson would be presenting a brief summary of the proposed project to the MEGA Board. Mr. Donaldson in turn asked Sharon Tiemann of the MJC to introduce the individuals representing Weyburn Acquisition Corporation. Ms. Tiemann introduced Mr. Bob Roberts, President of Weyburn-Bartel Camshaft Group and Karen Benson, the Economic Development Coordinator from Grand Haven.

History of the Company

Weyburn Acquisition Corporation, the parent company of Weyburn Assembled Cams, Incorporated (WACI), is part of the T & N Group, a large British company with 200 plants in 23 countries worldwide. Sales were in excess of \$4.5 billion in 1995. It has more than 40,000 employees throughout the world.

Weyburn-Bartel, a wholly-owned subsidiary of Weyburn Acquisition Corporation, was established in 1968 and manufactures camshafts and timing chains. The company employs more than 300 people in Michigan. Recently, the company built facilities in Mexico and Georgia. Weyburn-Bartel exports to Brazil, Germany, the United Kingdom, Canada, and Russia.

Project Description

Weyburn-Bartel has formed a joint venture with Nippon Piston Ring to make assembled camshafts in North America using a powder metal technology not presently used in this country. The new company will be called WACI. The joint venture agreement is complete and Weyburn-Bartel will be owner of 80 percent of the venture. The company expects to invest \$17 million in new equipment and \$3.5 million in a new building to house this operation. They are considering sites in either Grand Haven, Michigan, or Lebanon, Kentucky.

The new joint venture expects to employ up to 163 new employees when it reaches full production in 2002. Because of the complexity of the assembly process, and the necessary time to build the facility and install the equipment, full production is not expected to begin until January 1999. Pilot production and ramp-up will begin in 1998. Average weekly wages will be approximately \$485 with a benefit package estimated at 41 percent of wages.

Benefit to the State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 382 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$15,153,000 (1997 dollars) due to the presence of the Weyburn facility.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Lebanon, Kentucky and Grand Haven, Michigan. Based on figures obtained from the company, the annual cost disadvantage for WACI, to establish its manufacturing facility in Grand Haven, Michigan, rather than Lebanon, Kentucky, ranges from approximately \$800,000 to \$1,100,000 over the term of the incentive. The cost differential is primarily attributable to labor costs, taxes, utility costs and incentives provided by KREDA (Kentucky Rural Economic Development Authority), the state of Kentucky's counterpart to MEGA. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Kentucky.

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 \$427,000. In addition, a Community Development Block Grant for up to \$810,000 will be available to the local community to provide infrastructure to the site the Weyburn facility will occupy. Training funds of up to \$125,000 will be available to the company for up to 163 new employees hired as a result of this expansion.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at approximately \$1.2 million. Additionally, the community will provide up to \$90,000 in matching funds for infrastructure improvements funded by the Community Development Block Grant program.

But For

The company has examined the cost differential between locating in Kentucky or Michigan, and the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider expanding in Michigan without the MEGA tax credit to offset the wage, tax, and utility cost differentials. The ability to offer MEGA to the company will allow it to choose Michigan for this investment. Although this credit will not offset the entire cost disadvantage, the company believes that proximity to its Grand Haven facility

and easy access to the engineering expertise at its southeast Michigan research and development facility, and the research and development facilities of its major customers, will provide an advantage to the company which cannot be quantified.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 163 net new jobs, and a business activity credit of 60 percent for a period of 20 years.

Board Members' Discussion

Mr. Porteous stated that the Executive Committee of the MEGA Board had met and reviewed this project extensively. Discussion encompassed the cost differentials between the Project locating here or in Lebanon, Kentucky and the fact that if Michigan could not offer the MEGA Credit to offset these differentials, Michigan would lose this Project to Kentucky. The recommendation of the committee was to move forward with the project.

It was moved, supported, and carried that Resolution 1997-001 awarding tax credits to Weyburn Acquisition Corporation be adopted.

ADOPTED:

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

NAYS: None

***N-K Manufacturing Technologies, Inc.
63 Cottage Grove, S.W.
Grand Rapids, Michigan 49514***

Chairman Rothwell once again introduced Jim Donaldson and stated that he would be presenting a brief summary of the proposed project to the MEGA Board. Mr. Donaldson in turn asked Sharon Tiemann to introduce the individuals representing N-K Manufacturing Technologies, Inc. Ms. Tiemann introduced Mr. Haig H. Kassouni, President & CEO, N-K Manufacturing Technologies, Inc.; Mr. Jim Kieft, Vice President of Finance, Nicholas Plastics; and Mr. Ken Rizzio, Executive Director, Ottawa County Economic Development office.

History of the Company

N-K Manufacturing Technologies, Inc., currently headquartered in Grand Rapids, Michigan, started in 1995. The company manufactures custom injection moldings of thermoplastic components for the automotive, office furniture, and appliance industries. The company is an affiliate of Nicholas Plastics, Inc., of Allendale, Michigan, and sister company to Vi-Chem Color, Inc., of Grand Rapids, Michigan, and Vi-Chem Corporation, also in Grand Rapids, Michigan. The relationship of these companies is through common principals, management, and/or ownership. The Nicholas Plastics Group employs 404 people. N-K Manufacturing currently employs five on a contractual basis and currently leases 20,000 square feet.

Project Description

Because the company lacks adequate production space in its existing operations, this project will locate an injection molded plastic parts operation in either Bracken County, Kentucky, or Allendale, Michigan. No existing facility was found appropriate for the company's current and future needs. The company provides services that broaden the marketing capabilities of Nicholas Plastics, Inc., by providing injection molding capacity. It also utilizes the compounding, colorant, manufacturing, and R&D capabilities of its sister companies. This project will invest approximately \$10,530,000 in land, building, and equipment. It will create up to 95 new jobs with an average weekly wage of \$484/week in the first year of operation with an annual payroll of \$2.2 million. The company expects to create up to 540 new jobs over the term of the MEGA credit. N-K Manufacturing has an employee benefit package that averages approximately 26 percent of payroll net of workers' compensation and unemployment insurance.

Benefit to the State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,047 new jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$38,532,000 (1997 dollars) due to the presence of the N-K Manufacturing Technologies, Inc., facility.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Bracken County, Kentucky and Allendale, Michigan. Based on figures obtained from the company, the annual cost disadvantage for N-K Manufacturing to establish their manufacturing facility in Allendale rather than Kentucky, ranges from approximately \$300,000 to \$1.6 million over the term of the incentive. The cost differential is primarily attributable to land costs during the first year, business tax costs, and the Kentucky incentive package valued at \$10 million.

The Kentucky incentive package included incentives for Vi-Chem Color, Inc., which also would be locating a plant in Kentucky and creating an estimated 30 additional jobs. Due to the nature of the MEGA legislation, the Vi-Chem Color, Inc., project would not be eligible for MEGA credits due to its size, nor, could the job creation be combined with the N-K Manufacturing project. The Kentucky incentive package for Vi-Chem Color, Inc., is valued at an additional \$2 million.

Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differentials between Michigan and Kentucky. Other factors which make Michigan a favorable location include the proximity of Nicholas Plastics and the sister companies. Nicholas Plastics provides, and will continue to provide, administrative services to N-K Manufacturing.

Other State and Local Assistance

N-K Manufacturing has been offered a 100 percent abatement of the 6-mill state education tax worth approximately \$181,500. In addition, infrastructure development assistance in the form of a Community Development Block Grant to Allendale, of approximately \$456,000 has been offered.

Local tax abatements for a period of 12 years are estimated to be worth approximately \$552,123.

But For

The company has examined the cost differential between locating in Kentucky or Michigan, and the factors that could influence it to locate in Michigan despite a cost disadvantage only reduced by MEGA credits and other incentives. Without the additional \$97,000 to nearly \$880,000 annual MEGA incentive, at full production, to cover utility, tax, and incentive differentials, the company would not consider a location in Michigan.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 540 net new employees.

Board Members' Discussion

Mr. Porteous, speaking on behalf of the Executive Committee, indicated that a fair amount of discussion regarding this Project revolved around the KREDA incentives. He asked staff to describe how the KREDA program works. Jim Donaldson described the KREDA as providing tax incentives in selected Kentucky counties. It provides waivers of the state income tax and allows companies to recover an amount equal to state taxes withheld on employees wages. KREDA's program can only offer incentives and tax breaks over a 15-year period, but it is a very powerful and successful tool.

Chairman Rothwell indicated the MEGA program was modeled after KREDA, with a longer term of incentives, up to 20 years, which allows Michigan to offer cheaper dollars, on a net present value basis, in the later years of the incentive.

At one point in the Executive Committee's discussion, it was asked whether or not N-K Manufacturing Technologies, Inc. would locate in Kentucky due to the fact that Nicholas Plastics and their other sister organizations are all here in Michigan. The Executive Committee felt that it was a very strong possibility, because of the cost disparity and the fact that N-K is a stand-alone operation which is not dependent on the other businesses in the Nicholas family of companies. It was also felt that the loss of N-K might also lead to the relocation of Vi-Chem, which was also offered a Kentucky incentive.

It was moved, supported, and carried that Resolution 1997-002 awarding tax credits to N-K Manufacturing Technologies, Inc. be adopted.

ADOPTED:

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

NAYS: None

Kwang Jin Sang Gong Co., Ltd. - Amending Resolution

Chairman Rothwell presented the amendment. At its December 17, 1996 meeting, the MEGA granted a tax credit (Resolution 1996-019) to Kwang Jin Sang Gong Co., Ltd., with the understanding that the credit would be transferred to a subsidiary to be formed.

Kwang Jin America, Inc., has now been formed as a wholly-owned subsidiary of Kwang Jin Sang Gong Co., Ltd.

The proposed resolution authorizes the transfer of the Kwang Jin Sang Gong Co., Ltd., tax credit to Kwang Jin America, Inc.

It was moved, supported, and carried that Resolution 1997-003 awarding tax credits to Kwang Jin America, Inc., be adopted.

ADOPTED:

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

NAYS: None

Mr. Rothwell announced that the next MEGA meeting was scheduled for March 11. Jim Paquet, Secretary to the MEGA Board, stated that the meeting was likely to be rescheduled for either March 18 or 19.

Mr. Porteous asked Mr. Rothwell if it would be a convenient time to update the Board on the MEGA legislation. Mr. Rothwell responded with the update. Legislation had passed to reauthorize MEGA for an additional three years. The 25 projects per year cap was kept and the rest of the program was unchanged.

The meeting was adjourned by Chairman Rothwell at 11:00 a.m.