

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on March 16, 2004, at 10:00 a.m.

### Members Present

Cullen DuBose

Bo Garcia

David Hollister

Donald Jakeway

Faye Nelson

Jay Rising

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

### Others Present

Peter Anastor, MEDC

Bill Beach, Miller Canfield

Kathy Blake, Sr. V.P., MEDC

Candace Butler, General Motors Corporation

Jim Donaldson, MEDC

Peter Jansen, Dr. Schneider Automotive Systems

Carol Knobloch Johns, MEDC

Jim McBryde, MEDC

Susan McCormick, MEDC

Mark Morante, MEDC

Rich Morrison, City of Brighton

Jim Paquet, Secretary to the Board

Ed Reed, MEDC

Matthew Rick, Assistant Attorney General

Tom Schimpf, Assistant Attorney General

Martina Schlagwein, MEDC

Mike Shore, MEDC

Vern Taylor, MEDC

Randy Thelen, MEDC

### Call to Order

David Hollister called the meeting to order at 10:04 a.m.

### Approval of Minutes from February 17, 2004

A motion was made, supported and carried that the minutes from the February 17, 2004 meeting be adopted.

## Public Comment

There was no public comment.

## ACTION ITEM

*General Motors Corporation  
200 Renaissance Center  
Detroit, Michigan 48265*

Jim Donaldson introduced Candace Butler from General Motors Corporation. Ms. Butler explained the reinvestment being planned by General Motors at the Warren facility.

The General Motors Powertrain Warren Transmission facility currently employs approximately 1,700 workers. The facility currently produces 4-speed transmissions for various GM cars and trucks and also makes components for transmissions.

The development and production of a new 6-speed, front wheel drive transmission, is being considered at the Warren Transmission plant. The project would lead to the retention of at least 518 positions at the Warren facility. The retained jobs would pay an average weekly wage of \$971 and will include a generous benefit package. Current production of the 4-speed transmission will continue at the Warren facility as production of the 6-speed is developed.

The project would require an investment of \$299 million, including \$30 million for building renovations and \$269 million for new machinery and equipment, and tooling. It is anticipated that capital expenditures for renovations would begin this year with production initially targeted for 2006.

It is estimated that this facility will retain a total of 2,241 jobs in the state by the year 2025. We also estimate that the project would maintain total state government revenues through the year 2025, of \$213.7 million due to the retention of this facility.

Other sites for the project were considered throughout the United States. Due to the age of the Warren facility, substantial capital funds will be needed to make renovations to the facility for this modern transmission. Other locations considered needed substantially fewer capital improvements, potentially saving General Motors \$10 to \$15 million. Additionally, utility costs have also been considered and competing locations in warmer climates could potentially save the company \$400,000 per year.

In addition, other states have offered substantial incentive packages to secure this investment, including property tax abatements and training funding.

The State of Michigan will offer 50 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$2.5 million.

The City of Warren approved 50 percent abatement of the company's new real and personal property taxes for 12 years at their March 9, 2004 city council meeting. This tax abatement has an estimated value of \$19.6 million.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 25 percent for the retention of up to 1,600 jobs for a period of 20 years.

### **Board Discussion**

Faye Nelson gave the Executive Committee report. The Executive Committee recommends approval of the requested tax credit.

Jay Rising requested clarification of the number of jobs that GM is required to retain in order to qualify for the credit. Mark Morante explained the incentive and that the credit is for up to 1600 jobs, with a minimum of 500 jobs that must be retained at the project site no later than December 31, 2007 in order to qualify for a credit.

Hearing no further discussion, a motion was made and supported and Resolution 2004-14, approving a MEGA tax credit for General Motors Corporation's Warren Transmission Plant, was adopted.

### **ACTION ITEM**

*Dr. Schneider Automotive Systems, Inc.  
27117 Pembridge Lane  
Farmington Hills, Michigan 48331*

Peter Anastor introduced Peter Jansen, President and Treasurer of Dr. Schneider Automotive Systems, Inc., and Rich Morrison from the City of Brighton. Mr. Jansen discussed the company and explained the project. Dr. Schneider Automotive Systems was founded in 2000 and is a wholly owned subsidiary of a privately owned German company, Dr. Schneider Holding GmbH. Dr. Schneider is a world leading plastic automotive component parts manufacturer, including automotive ventilation systems, cup holders, ash trays and other plastic interior parts. Worldwide, the company employs over 1,600 individuals. Currently, the company has one associate in Michigan at a sales office in Novi.

This facility will design, engineer and produce plastic automotive components for the North American market. This project involves the first manufacturing venture in the North American market. The project would lead to the purchase of 10 acres in the City of Brighton, where the company would initially construct a 50,000 square foot

manufacturing facility, which could grow to 200,000 square feet over time. The expansion is expected to generate 76 new jobs in the first year of operations and, potentially, up to 350 new jobs over the next five years. The new positions will pay an average weekly wage of \$444. Total capital investment for the project would be approximately \$26.5 million over seven years, including \$1.7 million in land costs, \$9.9 million for building costs, and \$14.9 million for new machinery and equipment. The project would begin construction in April, 2004, with full production starting in February, 2005.

It is estimated that this facility will generate a total of 645 jobs in the state by the year 2019. Total state government revenues through the year 2019, would be increased by \$22.2 million due to the presence of this facility.

Dr. Schneider Automotive Systems compared the costs of the project in Brighton to Chathan-Kent, Ontario, Canada. The major cost gaps identified by the company were wage costs and taxes. The company estimates a wage differential approaching 25% due to differentials in labor cost and exchange rates. Once the facility becomes fully operational, this cost differential could amount to nearly \$2 million per year. In addition, the company would have lower corporate and property taxes in Canada, including no personal property taxes.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 180 production workers, or up to \$90,000. In addition, the Livingston County Michigan Works! Agency will provide an additional \$40,000 in training funds for the project. The state will also provide, pending approval of local property tax abatement, a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. The value of this abatement is estimated at \$196,900.

Mr. Morrison from the City of Brighton, expressed support for this project on behalf of the city. The city has proposed a PA 198 property tax abatement for this project, including 12-year abatement on new real property and a six to eight year abatement on new personal property. The estimated value of local property tax abatement is \$805,800. The abatement is expected to be finalized on April 1, 2004.

David Hollister mentioned that it is because of quick thinking and action taken by the City of Brighton, that this project was won for the city, and for the State of Michigan.

#### **Recommendation**

The Michigan Economic Development Corporation recommends a fifteen-year employment tax credit consisting of 100 percent for the initial 10 years and 50 percent for the last five years, for up to 350 net new employees, and a five-year business activity credit of 100 percent.

### **Board Discussion**

The Executive Committee report was given by Faye Nelson. On behalf of the Executive Committee, Ms. Nelson recommended approval of the requested tax credits.

Hearing no further discussion, a motion was made and supported, and Resolution 2004-15, approving MEGA tax credits for Dr. Schneider Automotive Systems, Inc., was adopted.

The meeting was adjourned at 10:22 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, April 13, 2004.



JENNIFER M. GRANHOLM  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF TRANSPORTATION  
LANSING

GLORIA J. JEFF  
DIRECTOR

February 10, 2003

Mr. Jim Paquet, Secretary  
Michigan Economic Growth Authority Board  
Michigan Economic Development Corporation  
300 North Washington Square  
Lansing, Michigan 48913

Dear Mr. Paquet:

As of January 31, 2003, I am appointing Jackie Shinn, Administrator, Office of Transportation Economic Development and Enhancement, to attend and act on my behalf at the Michigan Economic Growth Authority Board meetings as an alternate representative.

In case Ms. Shinn or I are unable to attend a particular board meeting due to scheduling conflicts, I am appointing Rob Abent, Bureau Director, Multi Modal Transportation Services Bureau, as my alternate representative to attend and act on my behalf.

If you have any questions regarding these appointments, please call me at 517-373-0718.

Sincerely,

A handwritten signature in black ink that reads "Gloria J. Jeff". The signature is written in a cursive style and is positioned above the printed name and title.

Gloria J. Jeff  
Director