

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 March 19, 1997 at 10:00 a.m.

Members Present:

Douglas E. Stites (acting for and on behalf of Doug Rothwell)
David Porteous
William LaMothe (via phone)
John McCormack
Mark Murray
Mark Haas (acting for and on behalf of Douglas Roberts)
Phil Kazmierski (acting for and on behalf of Robert Welke)

Members Absent:

Beth Chappell

Others Present:

Harry Ammon, Delhi Township Supervisor
John Avery, Executive Director, Michigan Economic Developers' Association
Thomas Boland, Manager, GM's Worldwide Steel Processing
Reginald Campbell, Vice President, Kasle Steel Corporation
Dan Combs, General Manager, RSDC (currently with Nova Steel Processing, Inc.)
Richard Dickson, President, Alternative Distribution Systems, Inc.
Cristine Dreese, Secretary, Michigan Jobs Commission (MJC)
John Elsinga, Delhi Township Manager
Ed Grobe, Ingham County Department of Development
Bill Hollister, Consultant to RSDC of Michigan, L.L.C.
Mary Irby, Sr. Staff Assistant, Communications Office, GM's Metal Fab Division
Roger Kasle, President & CEO, Kasle Steel Corporation
Rebecca Kirk, GM's Metal Fab Division
Tadashi Kubota, Senior Vice President, Itochu International, Inc.
Rob Lewis, Executive Director, Delhi Township Downtown Development Authority
Sheila Middaugh, Planning & Public Affairs/Communications, MJC
Jim Paquet, Secretary to the MEGA, MJC
Paul Roney, Investment/Attraction Director, Lansing Regional Chamber of Commerce
Carole Sorenson, Account Manager, International & National Business Development
Joe Sproles, GM's Government Affairs
George Trainer, Vice President, Alternative Distribution Systems, Inc.
John Wernet, Attorney General's Office

Call To Order

The meeting was called to order by Douglas E. Stites at 10:06 a.m.

Adoption of the Minutes from the February 14, 1997 Meeting

It was moved, supported, and carried that the minutes from the February 14, 1997 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***RSDC of Michigan, L.L.C.
4343 Wyoming
Dearborn, Michigan 48126-3793***

Mr. Stites introduced Mr. Steve Arwood, Director, International and National Business Development (INBD) of the MJC and Mr. Al Aceves, Account Manager for INBD and stated that Mr. Aceves would be presenting a brief summary of the proposed project. Mr. Aceves asked Ms. Carole Sorenson of the MJC to introduce individuals who have participated in this project. Ms. Sorenson introduced representatives from the three companies involved in the joint venture and individuals from General Motors, Delhi Township, Ingham County, and the Chamber of Commerce who were all involved in this project.

History of the Company

RSDC of Michigan, L.L.C. (RSDC) is a joint venture between Kasle Steel Corporation (Kasle); Itochu International Trading, Inc. (Itochu) (each own 40 percent of the joint venture); and Alternative Distribution Systems, Inc. (ADS) (owns 20 percent of the joint venture). Each partner is considered a Tier 1 supplier to the automotive industry. Kasle is a 60 year old, family-owned Michigan business (three facilities in Michigan and one in Windsor). Itochu is a Japanese trading company with a worldwide manufacturing presence (one facility in Indiana and two in Ohio) and ADS is an Indiana-based, multiple state warehousing and distribution firm (seven facilities in Indiana and three in Ohio).

Project Description

RSDC is considering Delhi Township, Michigan, or Butler, Indiana, for one of the largest steel distribution facilities in North America. This joint venture has been formulated at the request of General Motors. The company will provide state-of-the-art processing

equipment, modern steel transportation services, and Electronic Data Interchange technology in the slitting and blanking of coiled steel. Products include all steel components for General Motor vehicles and trucks.

This venture will allow RSDC to become a partner with General Motors in making the automaker's Michigan stamping operations as efficient and cost competitive as possible. The company will supply GM facilities located in Flint, Pontiac, Lansing, Grand Rapids, and Kalamazoo. The joint venture will invest approximately \$80 million in addition to creating 222 new jobs. The average weekly wage is approximately \$534. Annual payroll will be approximately \$6.6 million at full production. The company has an employee benefit package that averages 27 percent of payroll.

Cost Analysis

Based on figures obtained from the company, the annual cost disadvantage for RSDC to establish their manufacturing facility in Delhi Township, Michigan, rather than Butler, Indiana, ranges from approximately \$850,000 to \$1.3 million annually over the term of the incentive. The cost differential is primarily attributable to transportation costs and taxes.

Benefit to the State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 720 new jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$26,752,000 (1997 dollars) due to the presence of the RSDC facility.

Staff Recommendation

The MJC recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 222 net new jobs.

Board Members' Discussion

As Chairman of the Executive Committee, Mr. Porteous reported that the committee had met last week on this project. The committee was impressed with the size of the RSDC project. They were also pleased that as the project appears to be on the cutting edge of this technology, it will be a great opportunity for Michigan to be a leader in the industry.

The Executive Committee also focused on the issue of transportation costs. Most of the suppliers to RSDC are located in Indiana, but most of the manufacturing facilities are in Michigan. Mr. Arwood explained that the costs of the rail system and risks did create a cost differential between the two sites.

The MEGA award would narrow the gap caused by the transportation expense.

Mr. Murray stated that this is a very exciting project.

The question was raised as to what impact there would be on existing businesses in Michigan that provide the same type of product RSDC would be manufacturing. The Board concluded that any negative impact on Michigan businesses would be the same, if not worse, if RSDC were to locate in Indiana rather than in Michigan.

The question was raised as to whether or not the \$2.5 million bond from the township had been approved. The local development authority has appropriated the \$2.5 million in their budget and intends to approve the bond.

Mr. LaMothe expressed that he would like to see RSDC locate here and that we should work within our state to close the gap between Michigan and Indiana.

Mr. Porteous pointed out, and complimented Mr. Stites on the fact that, after looking at the MEGA projects, it is noted that each project is different in what they will be doing and that the advantages to the taxpayers and to the state are fair.

The Executive Committee recommended that the incentive outlined and discussed be adopted.

It was moved, supported, and carried that Resolution 1997-004 awarding tax credits to RSDC of Michigan, L.L.C. be adopted.

ADOPTED:

Ayes: Douglas E. Stites (acting for and on behalf of Doug Rothwell), David Porteous, William LaMothe (via phone), John McCormack, Mark Murray, Mark Haas (acting for and on behalf of Douglas Roberts), and Phil Kazmierski (acting for and on behalf of Robert Welke).

Nays: None

The meeting was adjourned by Mr. Stites at 10:25 a.m.