

## 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 4, 1998 at 9:00 a.m.

### Members Present:

Doug Rothwell  
David Porteous  
Beth Chappell  
William LaMothe (via phone)  
Mary Lannoye (acting for and on behalf of Janet E. Phipps)  
Mark Haas (acting for and on behalf of Douglas Roberts)

### Members Absent:

Phil Kazmierski  
John McCormack

### Others Present:

Trina Anderson, Marketing Services Manager, The Christman Company  
Glenn Azuma, Consultant, Brian Unlimited Distribution Company (BUDCO)  
Dawn Baetsen, MEGA Specialist, International & National Business Development, Michigan Jobs Commission (MJC)  
Kathy Boyle, Job Development, Refugee Services - Charlotte  
Linda Dankoff, MEGA Specialist, Michigan Business Development (MBD), Michigan Account Management (MAM), MJC  
Jim Donaldson, Director, MBD, MJC  
Cristine Dreese, Secretary, MJC  
Tom Kowieski, Controller, Wollin Products, Inc.  
Amy Lane, Reporter, Crain's Detroit Business  
Randy Lueth, President & CEO, Wollin Products, Inc.  
Ron Moffett, MEGA Specialist, MBD, MAM, MJC  
Rich Morrison, Consultant, City of Charlotte  
Rick Oberle, Economic Dev. Specialist, Lansing Regional Chamber of Commerce  
Jim Paquet, Secretary to the MEGA Board, MJC  
Mike Pohnl, MEGA Specialist, MBD, MJC  
Eva J. Poor, Project Manager, Dana Corporation  
Brent Reeder, Executive Vice President, BUDCO  
Susan Shafer, Public Affairs, Communications, MJC  
Jim Tobin, Director, Public Affairs, MJC  
John Wernet, Assistant Attorney General, Attorney General's Office

### Call To Order

The meeting was called to order by Chairperson Rothwell at 9:30 a.m.

### Adoption of the Minutes from the February 19, 1998 Meeting

It was moved, supported, and carried that the minutes from the February 19, 1998 meeting be adopted.

### Public Comment

There were no comments from the public.

### Action Items

*Spicer Heavy Axle and Brake Division  
8000 Yankee Road  
Ottawa Lake, Michigan*

Chairperson Rothwell introduced Jim Donaldson from the MJC and asked him to present the project. Mr. Donaldson introduced Mike Pohnl from the MJC who in turn introduced Eva J. Poor from Dana Corporation. Mr. Donaldson then summarized the key points from the briefing memo on the project.

### Project Description

Spicer Heavy Axle and Brake is a division of Dana Corporation engaged in research and development and manufacture of components for trucks and other heavy equipment. This project would involve moving research and development activities from Fort Wayne, Indiana to Texas Township near Kalamazoo. Alternately, the company would move both the Michigan and Indiana operations to Lexington, Kentucky. The project would invest approximately \$15 million in new building and equipment and would result in the addition of 203 new jobs to Michigan operations. The average wage for these jobs would be \$1,000 per week with a full benefit package.

According to the economic analysis done by the University of Michigan, this facility will generate a total of 340 jobs in the state by the year 2017. Total state government revenues through the year 2017 would be increased by \$25,386,000 (1998 dollars) due to the presence of the Spicer facility. The project would also retain 97 existing employees in the Kalamazoo area who would otherwise be moved to Kentucky.

The annual cost disadvantage for Spicer to expand its research and development operations in Texas Township, rather than Lexington, ranges from \$366,000 to more than \$1.4 million over the term of the incentive. The cost differential is primarily attributable to taxes, incentives, and unemployment compensation insurance costs.

The Michigan Jobs Commission will provide Spicer with a 100 percent abatement of the six-mill State Education Tax estimated to be worth \$632,000 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$1,231 per job for up to 203 net new employees for a total of up to \$250,000. In addition, Texas Township will be applying for an infrastructure grant from the Michigan Renaissance Fund worth up to \$857,000 to provide needed utilities and roads to the site. Local assistance will be in the form of a 50 percent property tax abatement which is worth up to \$1,900,000 over the term of the incentive.

Higher Michigan tax costs and Kentucky incentive programs would make Lexington a more attractive location if MEGA were not offered.

#### **Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 203 net new jobs and a MEGA business activity credit of 100 percent for a period of 5 years.

#### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the Spicer Heavy Axle and Brake Division project to the full Board. The Executive Committee thought this was a wonderful opportunity for the Kalamazoo area which had worked very hard to maintain its industrial base. The Executive Committee noted that the movement of jobs from Dana's Galesburg facility to the new Texas Township plant would keep the jobs in the Kalamazoo area; whereas, if the company were to locate in Kentucky, it would be an enormous loss to the community. Vice Chairperson Porteous mentioned that Dana Corporation is a large and well-respected supplier to the automotive industry. We want to send a message to Dana that we want them to keep the Spicer facility in Michigan and that there is a lot of potential for future expansion here as well.

Chairperson Rothwell asked for discussion from the Board. The base jobs issue was discussed. Because Dana has 1,700 employees in Michigan, the company had the option of merging Spicer into its other operations or of forming a separate company which would file its own Single Business Tax return. Dana chose to keep the Spicer operation separate, and only the 97 employees at Spicer were considered as part of the company's base. One of the Board members asked if the Galesburg facility would

remain with Eaton or would it become part of the Spicer project. The answer was that about 100 jobs would be moved from the Galesburg facility to Spicer. Eaton Corporation, which retained ownership of the Galesburg facility was expected to move other employees into the building.

It was moved, supported, and carried that Resolution 1998-004 awarding tax credits to Spicer Heavy Axle and Brake Division be adopted.

***Wollin Products, Inc.***  
***4295 North Roosevelt Road***  
***Stevensville, Michigan 49127***

Chairperson Rothwell asked Jim Donaldson to present the project. Mr. Donaldson introduced Ron Moffett from the MJC who in turn introduced Randy Lueth and Tom Kowieski from Wollin Products, Inc.; Rich Morrison from the City of Charlotte, and Rick Oberle from the Lansing Regional Chamber of Commerce. Mr. Donaldson then summarized the key points from the briefing memo on the project.

#### **Project Description**

Wollin Products, Inc. is a custom molder of plastic components with customers in a number of industries, the primary ones being automotive and appliances. Capacity and employment constraints in the company's existing plants in Michigan and Ohio have necessitated an additional plant.

Wollin Products, Inc., is considering Charlotte, Michigan or Angola, Indiana for the construction of a 100,000 square foot manufacturing facility. Total investment is estimated at \$13.8 million and job creation will total 150 within three years. The average weekly wage is estimated at \$388. Annual payroll at the new facility will be approximately \$3.8 million at full production with an employee benefit plan that averages approximately 25 percent of payroll.

This facility will generate a total of 252 jobs in the state by the year 2017. Total state government revenues through the year 2017 would be increased by \$11,423,000 (1998 dollars) due to the presence of the Wollin Products facility.

The annual cost disadvantage for Wollin Products, Inc., to establish its manufacturing facility in Charlotte, Michigan, rather than Angola, Indiana, ranges from approximately \$175,000 to \$240,000 over the term of the incentive. The cost differential is primarily attributable to workers' compensation, electrical costs, and taxes.

The State of Michigan will provide Wollin Products, Inc., with a 100 percent abatement of the six mill State Education Tax to be worth \$312,000 over the term

of the incentive. Economic Development Job Training funds will also be offered to the company at \$200 per job for up to 150 net new employees for a total of \$30,000. In addition, the State of Michigan will be providing the local community a Community Development Block Grant worth up to \$495,000 to provide infrastructure improvements for the project.

The City of Charlotte will rebate up to one-half of the cost of the land (approximately \$60,000) back to Wollin Products, Inc. In addition, Wollin Products, Inc., will be applying for a 50 percent property tax abatement from Charlotte with an estimated value of \$1,500,000.

The company would not consider locating in Michigan without the MEGA tax credit to offset workers' compensation, taxes, and electrical costs.

#### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 6 years, 75 percent for a period of 5 years and 50 percent for a period of 9 years for up to 150 net new jobs, and a business activity credit of 100 percent for a period of 5 years.

#### Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee, indicating that it was recommending the Wollin Products, Inc. project to the full Board. The Executive Committee found that there was a significant cost differential in workers' compensation costs between Michigan and Indiana and that Michigan really needed to work on bringing down these costs to further entice corporations to locate here. Staff estimated that if Wollin Products, Inc. located in Michigan rather than in Indiana that workers' compensation costs would be approximately \$100,000 more per year. It was mentioned that this project highlighted the need to keep core industries here in Michigan. The Executive Committee pointed out that when Wollin Products, Inc. built a plant in Clyde, Ohio close to Whirlpool's Indiana facility, in 1986 it had 30 employees housed in a 45,000 square foot building. Wollin has done so well, that the facility is now 240,000 square feet and houses 441 employees. Michigan could benefit from the same kind of growth and Charlotte could benefit from the diversification in its industries.

Mr. Porteous voiced his concern over reading about the Wollin project in the State Journal on the Saturday before the MEGA meeting. He said the article implied that the Wollin project was a "done deal" and might raise questions in some readers' minds as to whether MEGA needed to provide any incentive. He stated that the article put

the MEGA Board in an awkward position. He stressed that the MEGA Board only does what is necessary in putting an incentive package together, to get the company to locate in or remain in Michigan. Board Member Chappell agreed with Mr. Porteous. Chairperson Rothwell stated that the MEGA didn't want to penalize the company for "getting caught in the media blitz" but asked the Economic Development groups to be careful about how projects were characterized to the press before MEGA Board meetings have taken place.

It was moved, supported, and carried that Resolution 1998-005 awarding tax credits to Wollin Products, Inc. be adopted.

**Brian Unlimited Distribution Company, Inc. (BUDCO) - Amending Resolution**

Chairperson Rothwell asked Jim Donaldson to represent the proposed BUDCO amendment. Mr. Donaldson introduced Glenn Azuma, a consultant to BUDCO. Mr. Azuma explained their projections for wages in the MEGA application were based on two erroneous assumptions. First, the existing duplicate management infrastructure, and secondly, they incorporated wages that were appropriate to a seasoned workforce rather than to new hires. As a result, this average weekly wage was overstated. He indicated that an average weekly of \$484 per week with full benefits more accurately reflected what the company would pay. He reiterated the fact that these are good paying jobs for the Highland Park area.

It was moved, supported, and carried that Resolution 1998-006 granting an amendment to the original Resolution (1997-016 dated November 18, 1997) for Brian Unlimited Distribution Company be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:05 a.m.