

APPROVED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 201 N. Washington Square, 4th Floor, Lansing, Michigan on April 12, 2001 at 11:00 a.m.

Members Present:

Craig DeNooyer
Nancy Duncan (acting for and on behalf of Duane Berger, authorization attached)
Barb Hayes (acting for and on behalf of Gregory Rosine, authorization attached)
Valerie Khoury (acting for and on behalf of Mark Murray, authorization attached)
Doug Rothwell (by phone)
Tim Ward

Members Absent:

Beth Chappell
Sarah Deson-Fried

Others Present:

Karen Ammarman, MEDC
Peter Anastor, MEGA, MEDC
Kathy Blake, Senior Vice President, Business Development, MEDC
Tom Catania, Whirlpool Corporation
Linda Dankoff, MEGA, MEDC
Jim Donaldson, Business Development, MEDC
Val Hoag, MEDC
Jennifer Kopp, Communications, MEDC
David Jeup, MEGA, MEDC
Cynthia LaGrow, County of Berrien
Jeff Noel, Cornerstone Alliance
Jim Paquet, Secretary to the MEGA Board, MEDC
Mike Pohnl, MEDC
Ellen Ross, MEDC
Tom Schimpf, Attorney General
Dean Uminski, Crowe Chizek

Call to Order

Tim Ward called the meeting to order at 11:05.

Public Comment:

There was no comment from the public.

Action Item:

Whirlpool Technologies, LLC
c/o Whirlpool Corporation
2000 M63
Benton Harbor, Michigan 49022

Jim Donaldson introduced Tom Catania, Whirlpool, who provided some background on the Whirlpool projects.

Mr. Catania explained that the two proposed projects would move the cooking technology from Dayton to Benton Harbor and expand the company's customer service and product development functions. Whirlpool feels that this action will help solidify the company's future in southwest Michigan. The company has guaranteed the local unit of government to maintain their current employment level for a period of ten years.

Jim Donaldson presented the project to the Board.

Whirlpool Technologies, LCC is a single member LLC of Whirlpool Corporation with no current employees in Michigan.

The customer service and product development expansion will include additional jobs to support Whirlpool's Integrated Home Solutions unit which is directed at harnessing Internet related benefits for Whirlpool customers including e-enabled appliances.

The project will create up to 221 jobs within five years, including the transfer of 88 personnel from an existing operation in Laporte, Indiana. Average weekly wages will be \$1,034 as well as a benefit package worth up to 30 percent of wages. Capital expenditures for the project will consist of new software and hardware for customer interaction at a cost of \$8 million. Implementation costs will require an additional \$8 million. These expenditures are expected to occur in 2002.

Based on the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 323 jobs in the state by the year 2018. Net state government revenues would be increased by \$24.4 million, through the year 2018 due to the presence of this facility.

While Whirlpool continues to be committed to Benton Harbor, the area presents many challenges to the company's growth. Benton Harbor is not in a metropolitan area and is not as attractive to workers offered employment in consolidation efforts. The company must pay a premium to recruit and keep good workers at this location. At the entry level, there is an 11 percent wage differential between Benton Harbor and the facility in LaPorte, Indiana.

The project will be located in the Renaissance Zone in Benton Township saving the company an estimated \$143,296 in property taxes. In addition, Berrien County is providing Whirlpool Technologies with a \$1 million grant which may be used to cover relocation and other expenses associated with the creation of up to 221 new jobs.

The State of Michigan will be providing abatement of the state education tax as part of the Renaissance Zone benefits. The estimated value of this abatement is \$22,731. In addition, the company will not have to pay the Single Business Tax for the first 10 years of the project. The value of the savings is estimated at \$377,242. An Economic Development Job Training (EDJT) grant of \$1 million will cover the combined 385 employees the company will be hiring for the Benton Harbor and St. Joseph projects.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology MEGA employment credit of 100 percent for seventeen years for 221 net new jobs and a business activity credit of 100 percent for seven years beginning in year eleven of the project when the Renaissance Zone benefits expire.

Board Discussion:

Tim Ward presented the report of the Executive Committee to the Board. The Committee is supportive because the quality of the jobs, the contribution the projects will make to maintaining a critical mass of employment in the area, and the quality of the local support for the project.

Nancy Duncan questioned the significance of Whirlpool to the community. Jeff Noel explained that Whirlpool is a significant employer. Its foundation contributes approximately \$3 million each year to community needs. He explained considerable effort has been made by Whirlpool to assist Benton Harbor in the creation of a greater retail base and to avoid loss of retail businesses to Indiana. Whirlpool's diverse employment base has internationalized the community.

Craig DeNooyer inquired about other sites the company had looked at. Tom Catania advised that consideration had been given to Italy and Brazil as well as leaving the facility in LaPorte, Indiana.

Tim Ward asked if there were any other questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-013 awarding a MEGA tax credit to Whirlpool Technologies, LLC be adopted.

Action Item:

Whirlpool Technologies, LLC
c/o Whirlpool Corporation
2000 M63
Benton Harbor, Michigan 49022

Jim Donaldson presented the project to the Board.

The second Whirlpool Technologies project would involve relocation of a technology center currently located in Dayton, Ohio to St. Joseph, Michigan to realize synergies with Whirlpool's existing tech center in St. Joseph. Over 100 jobs would be transferred from Ohio, with creation of up to 64 additional jobs within three years, for a total employment of 164. The jobs would be in research, development and testing of new product lines. Salaries would average \$1,132 per week, with a benefit package of up to 30% of wages.

A new building would be constructed in the St. Joseph Renaissance Zone to house the technical center. Approximately \$11.5 million would be invested, exclusive of the cost of relocating 100 jobs and related machinery from Ohio.

Based on the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, the project will generate a total of 354 jobs in the state by the year 2018. Net state government revenues would be increased by \$27 million due to the presence of the facility.

The project will be located in the Renaissance Zone in the City of St. Joseph, saving the company an estimated \$2,593,205 in property taxes. The City will be providing infrastructure assistance totaling \$280,000 for roads, \$175,000 for land and site improvements, and \$100,000 for a community-wide recruitment effort.

The State of Michigan will be providing abatement of the state education tax as part of the Renaissance Zone benefits. The estimated value of this abatement is \$332,469. The company will not have to pay the Single Business Tax for the first 10 years of the project due to the Renaissance Zone producing savings estimated at \$661,827.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for seventeen years for 164 net new jobs and a business activity credit of 100 percent for seven years beginning in year eleven of the project when the Renaissance Zone benefits expire.

Board Discussion:

Tim Ward gave the report of the Executive Committee, indicating that the committee recommend approval of the credit for the same reasons outlined in connection with the Benton Harbor Project.

Vice Chairperson Ward asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2001-014 awarding a MEGA tax credit to Whirlpool Technologies, LLC be adopted.

The meeting was adjourned at 11:25.