

APPROVED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Lansing Center, Rooms 103/104, 333 East Michigan Avenue, Lansing, Michigan on April 20, 1995 at 10:00 a.m.

Members Present:

Doug Rothwell, Chairperson
John McCormack
Mark Murray
Patrick Nowak
Douglas Roberts
David Porteous

Members Absent:

William LaMothe
Elizabeth McDermott

Others Present:

Steven Arwood, Michigan Jobs Commission
Karen Ammarman, Michigan Jobs Commission
Senator Jim Berryman, State Senate District #17
Kathy Blake, Michigan Jobs Commission
Diana Burns, Michigan Jobs Commission
John Czarnecki, Michigan Jobs Commission
James Donaldson, Michigan Jobs Commission
Michael Griffith, Senate Democratic Staff
James Karshner, Michigan Jobs Commission
Peter Lark, Attorney General's Office
John Niemela, Michigan Municipal League
James Paquet, Michigan Jobs Commission
Mike Pohnl, Michigan Jobs Commission
Lynda Rossi, Senate Democratic Staff
Linda Stiles, Booth Newspapers
Douglas Stites, Chief Operating Officer, Michigan Jobs Commission
Mark Mikolanis, Solvay Automotive, Inc.
J. Craig Speck, Haworth, Inc.
Larry Lee, Gongwer News Service
Terry Locatis, Haworth, Inc.

CALL TO ORDER

The meeting was called to order by Chairperson Rothwell at 10:09 a.m.

INTRODUCTION OF NEW BOARD

Chairperson Rothwell welcomed the Authority members and asked each individual at the head table to briefly introduce themselves:

Mark Murray, Acting Director, Department of Management and Budget
 John McCormack, President Bank of Alma
 Douglas Roberts, State Treasurer
 David Porteous, Attorney, Porteous & White P.C.
 Patrick Nowak, Director, Michigan Department of Transportation
 Doug Rothwell, CEO, Michigan Jobs Commission
 Douglas Stites, Chief Operating Officer, Michigan Jobs Commission
 James Paquet, Michigan Jobs Commission
 Steve Arwood, Director, Industry and Investment Relations, Michigan Jobs Commission
 James Donaldson, Michigan Jobs Commission

Chairperson Rothwell stated that Lt. Governor Binsfeld had signed Senate Bill 351 on Tuesday, April 18, 1995 establishing the Michigan Economic Growth Authority (MEGA). Chairperson Rothwell also explained the urgency of holding the first meeting so quickly after the bill was signed. Companies have been holding up their decision on whether to expand their business in Michigan until the MEGA bill was approved. Chairperson Rothwell gave a brief overview of the MEGA and how the tax credits the MEGA awarded could help the economy of Michigan. He presented summary estimates of the impact of the first three MEGA awards:

Total Jobs That Will Be Created	2,580 jobs
Direct	1,140 jobs
Indirect	1,440 jobs
Net Positive State Revenue Impact	\$112,497,000
Revenue Forgone	\$ 18,775,732
Revenue Gain	\$131,272,732
Personal Income Generated Over Life of MEGA Agreement	\$1,708,368,000

ADOPTION OF BYLAWS

Mr. Arwood stated that the Bylaws had been reviewed and approved by the Attorney General Office and briefly went on to explain each section of the Bylaws.

Chairperson - The Director of the Michigan Jobs Commission shall serve as Chairperson.

Vice Chairperson - shall be elected by the Members of the MEGA at the first meeting of each calendar year. When Chairperson is unable to attend - Vice Chairperson will preside at meeting.

Secretary - shall be elected by the Members of the MEGA at the first meeting of each calendar year. If the office becomes vacant, the successor shall be chosen at next meeting of Board.

Absence of Chairperson - if both the Chairperson and Vice Chairperson are absent, members present at meeting shall designate a temporary presiding officer who shall preside at such meeting.

Meetings - regular meetings at least once during each calendar year. Special meetings at such times and places as may be determined necessary by the Chairperson or any two members of the MEGA.

Quorum - five (5) of eight (8) members present shall constitute a quorum for the transaction of business at a meeting.

Order of Business - by majority vote of members participating at any regular or special meeting, a matter may be placed on the agenda, the Chairperson may place on the agenda any matter which he deems of sufficient or pressing importance.

Public Meetings - all shall be held in compliance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976.

Minutes - all minutes, including votes, shall be kept, corrected and approved, at the succeeding meeting. Minutes shall be available for public inspection in compliance with the Open Meetings Act, Act No. 267, Michigan Public Acts of 1976, the Freedom of Information Act, Act No. 442, Michigan Public Acts of 1976.

Procedures - current edition of Robert's Rules of Order (Newly Revised) shall be followed in all applicable cases not inconsistent with these By-laws and/or any special rules which may, from time to time, be adopted by the MEGA.

Miscellaneous Provisions:

- Fiscal Year -** January 1 to the ensuing December 31 of the same calendar year.
- Execution of Documents -** the MEGA may authorize by resolution, the execution of documents or certificates on behalf of the MEGA by such members of the MEGA and such officers and employees as it deems appropriate.
- Conflict of Interest -** members, officers and employees of the MEGA shall be subject to the provisions of Act No. 317, Public Acts of 1968.

Amendment and Suspension of By-Laws:

- Amendment -** may be amended by affirmative majority vote of members at any meeting, provided that notice of intention to present such resolution shall be given at least four (4) days in advance of meeting at which the motion to adopt such resolution is made.
- Suspension -** any and all of those provisions of the By-laws, except Article VI, Section 1 (Suspension of By-laws), and those required by state laws, may be suspended by unanimous approval of the members of the MEGA.

It was moved and supported that the By-Laws of the MEGA be approved.

The By-laws were adopted by a unanimous vote.

At this time Chairperson Rothwell suggested that the selection of Vice Chairperson and Secretary be tabled until Members McDermott and LaMothe are present.

The motion to table the issue was moved, supported and carried.

PUBLIC COMMENTS

None

INFORMATION ITEMS

Mr. Paquet gave a brief synopsis of the information items which will be included with each application at each meeting:

- Company's Application (pages 1 to 4)
- Cost/Benefit Study (prepared by REMI- University of Michigan)
- Briefing Memo

- Determination of Authorized Business Resolution
- Establishment of MEGA Tax Credits and Approval of Written Agreement Resolution

Mr. Paquet stated that the MEGA has discretion under the statute to award either an Employment Credit or a Business Activity Credit or both and to vary the duration and amount of credits given.

Chairperson Rothwell took this opportunity to especially thank Jim Paquet, Larry Schrauben, John Czarnecki, Karen Ammarman, Diana Burns and Peter Lark for a great job done in preparing for this first meeting of the Authority so quickly.

Chairperson Rothwell asked the Members if there were any questions? There were none.

ACTION ITEMS

Borders Group, Inc./Walden Book Company, Inc. - Book Retailer

201 High Ridge Road
Stamford, Connecticut

Chairperson Rothwell gave a brief summary analysis of the impact of the proposed relocation of the corporate headquarters of Walden Book Company, Inc., to Ann Arbor.

Total Jobs Created	975 jobs
Direct	550 jobs
Indirect	425 jobs
Net Positive State Revenue Impact	\$42,311,000
Revenue Foregone	\$ 7,722,977
Revenue Gain	\$50,033,977
Average Wage	\$816/wk
Personal Income Generated Over Life of MEGA Agreement	\$654,122,000

James Donaldson presented a summary of the proposed project.

Project Description

Walden Book Company, a subsidiary of the Borders Group is considering moving its corporate headquarters from Stamford, Connecticut to either Nashville, Tennessee or Ann Arbor, Michigan. The relocation will involve the initial staffing of 550 positions, as well as, requiring a \$10.8 million

investment. The average weekly wage at this facility is approximately \$816. Total payroll at full production is estimated to be \$16 million annually. Because Walden Book Company and Borders Group already have employees in Michigan this project is considered an expansion.

Benefit to State

According to the economic analysis done at the University of Michigan, by 2010, it is estimated that this facility will generate total of 975 jobs in the State. Total state government revenues through 2010, net of the MEGA cost and adjusted for inflation, would be increased by \$42,311,000 (1995 dollars) due to the presence of the Walden Book Company facility.

This project would create \$35 million in personal income by 1996 for Michigan residents. It would also contribute more than \$2 million to local governments and schools through property tax payments over 5 years.

Cost Analysis

Based on figures obtain from the company, the additional cost to Walden Book Company to establish their headquarters in Ann Arbor ranged from \$3 to 6 million annually. The cost differential is primarily attributable to labor cost difference between Tennessee and Michigan. Additionally, Tennessee has offered the company incentives, which includes labor training, tax abatements and low interest financing.

Based on data which the Michigan Jobs Commission received, staff believes that the cost differential between states is a reasonable approximation.

Local Financial Assistance

The Ann Arbor Transit Authority (AATA) has agreed to provide and finance a new shuttle bus service to transport employees between the company's various facilities in Ann Arbor. AATA will provide funding in the amount of \$75,000 annual for three years.

Staff Recommendation

Staff recommends the MEGA offer follow the 15 year plan of:

- 80% employment credit for the first five (5) years
- 25% employment credit for the second five (5) years
- 80% employment credit for the last five (5) years

Member Murray asked why phase credits?

Mr. Donaldson responded that the early 80% credit is a benefit to the company helping to offset

the costs of the move while the latter 80% helps to "lock in" jobs for Michigan.

Chairperson Rothwell indicated that the phasing of credits was the result of a negotiations process.

Member Porteous asked if all three (3) projects on agenda today were similar? Chairperson Rothwell responded that they were each unique reflecting the different needs of the companies competitive situations between Michigan and alternate locations, and the desire to grant no more credits than were needed to secure the project..

Member Murray asked what types of jobs were represented by the 550 positions and how many would be Michigan residents?

Mr. Donaldson responded that it was a combination of clerical/data processing, middle and upper management and that less than 100 employees would be transferred from Connecticut and that the bulk of the rest would be Michigan residents.

It was moved and supported that Resolution 1995-001 for Walden Book Company, Inc. Determination of An Authorized Business be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

It was moved and supported that Resolution 1995-002 for Walden Book Company, Inc. Awarding Tax Credits and Approval of the Form of Written Agreement be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

Solvay Automotive, Inc. - Blow Molded Plastic Fuel Tanks.

2565 W. Maple Road
Troy, Michigan

Chairperson Rothwell gave a brief summary analysis of the impact of a proposed manufacturing facility to be built and operated by Solvay Automotive, Inc.

Total Jobs Created	504 jobs
Direct	250 jobs
Indirect	254 jobs
Net Positive State Revenue Impact	\$14,415,000
Revenue Foregone	\$ 4,665,387
Revenue Gain	\$19,080,387
Average Wage	\$460/wk
Personal Income Generated Over Life of MEGA Agreement	\$250,250,000

James Donaldson presented a summary of the proposed project.

Project Description

This project will involve building a new 300,000 square foot facility with a capital investment of \$66 million for building, machinery and equipment in Adrian or Monroe, Michigan, or in Toledo or Walbridge, Ohio. This plant will produce fuel tanks for automobiles and trucks assembled at several Michigan based plants. This new facility will employ 75 people in its first year of operation and 250 at full production in 1998. Average weekly wage in this new facility will be approximately \$460. Total annual payroll at full employment will be approximately \$6 million.

Benefit to State

According to the economic analysis done at the University of Michigan, by 2008, it is estimated that this facility will generate total of 504 jobs in the State. Total state government revenue through 2008, net of MEGA cost and adjusted for inflation, would be increased by \$14,415,000 (1995 dollars) due to the presence of the Solvay facility.

This project would create \$22 million in personal income by 1998 for Michigan residents. It would also contributed more than \$6 million to local governments and schools through property tax payments over 12 years.

Cost Analysis

Solvay has conducted extensive research into the business cost differential between a Michigan and Ohio plant location. The additional cost to establish a plant in Michigan ranged up to \$700,000 per year. Cost differences are due to unemployment insurance, corporate taxes, and utility costs. This cost differential was exacerbated by a competitive offer from the State of Ohio. Staff has examined these costs and feels that they are a reasonable approximation.

Local Assistance

Local assistance includes free land valued at approximately \$175,000 and tax abatement in excess of \$6.3 million over 12 years.

Staff Recommendation

Staff recommends that the MEGA offer a 100% employment credit and 100% business activity credit for a period of 12 years. The tax credits are applicable for a maximum of 250 jobs.

Member Murray asked if staff had received a copy of the Ohio offer?

Chairperson Rothwell stated that we do not require a copy of the other states offer because we do not want to encourage dialogue between a company and a competitive state.

It was moved and supported that Resolution 1995-003 for Solvay Automotive, Inc. Determination of An Authorized Business be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

It was moved and supported that Resolution 1995-004 for Solvay Automotive, Inc., Awarding Tax Credits and Approval of the Form of Written Agreement be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, and David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

Haworth, Inc. - Office Furniture

One Haworth Center
Holland, Michigan

Chairperson Rothwell gave a brief summary analysis of the impact of a proposed manufacturing facility to be built and operated by Haworth, Inc.:

Total Jobs Created	1,101 jobs
Direct	340 jobs
Indirect	761 jobs
Net Positive State Revenue Impact	\$55,771,000
Revenue Foregone	\$ 6,387,368
Revenue Gain	\$62,158,368
Average Wage	\$385/wk
Personal Income Generated Over Life of MEGA Agreement	\$803,996,000

James Donaldson presented a summary of the proposed project.

Project Description

This project will involve building a new 275,000 square foot, \$40 million facility in Big Rapids, Michigan or Peru, Indiana. This plant will produce metal office furniture and furniture components and will employ at least 75 people in the first year of operation and approximately 340 at full production in 1998. Average weekly wage will be approximately \$385. Total annual payroll at full production will be approximately \$7,200,000.

Benefit to State

According to the economic analysis done at the University of Michigan, by 2015, it is estimated that the project will generate a total of 1,101 jobs in the State. Total state government revenues through 2015, net of the MEGA costs and adjusted for inflation, would be increased by \$55,771,000 (1995 dollars) due to the presence of the Haworth facility.

This project would create more than \$40 million in personal income by 1998 for Michigan residents. It would also contribute more than \$4 million to local governments and schools through property tax payments over twenty years.

Cost Analysis

Haworth has evaluated the cost differential between a Michigan location and one in Indiana. Based on figures provided by the company, the cost gap on a net present value basis is greater than \$10 million. With the full MEGA benefit, the company expects only to break even on a cross-state basis. Primary differences in cost are for workers' compensation and unemployment insurance. This cost difference is exacerbated by a competitive offer from the state of Indiana. Staff examined these cost differences and concluded that they are a reasonable approximation.

Local Assistance

Local assistance includes tax abatement in excess of \$3.6 million over twelve years.

Staff Recommendation

Staff recommends that the MEGA offer a 100% Employment Credit and a 100% Business Activity Credit for a period of twenty years.

Member Murray questioned if granting of credits included the Coldwater and/or Big Rapids site, whichever is chosen. Mr. Donaldson responded that credits would be granted for the Big Rapids site only.

It was moved and supported that Resolution 1995-005 for Haworth, Inc., Determination of An Authorized Business be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

It was moved and supported that Resolution 1995-006 for Haworth, Inc., Awarding Tax Credits and Approval of the Form of Written Agreement be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, and David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

APPOINTMENT OF EXECUTIVE COMMITTEE

Chairperson Rothwell announced the appointment of the following Members to the Executive Committee:

Douglas Roberts
David Porteous
Elizabeth McDermott

FUTURE MEETINGS

Chairperson Rothwell stated that future meetings would be held on a monthly basis. He also stated that staff would be contacting members regarding available meetings dates.

ADJOURNMENT

Meeting was adjourned at 10:50 a.m.

Correction to MinutesHaworth, Inc. - Office Furniture

One Haworth Center
Holland, Michigan

Chairperson Rothwell gave a brief summary analysis of the impact of a proposed manufacturing facility to be built and operated by Haworth, Inc.:

Total Jobs Created	1,101 jobs
Direct	340 jobs
Indirect	761 jobs
Net Positive State Revenue Impact	\$55,771,000
Revenue Foregone	\$ 6,387,368
Revenue Gain	\$62,158,368
Average Wage	\$385/wk.
Personal Income Generated Over Life of MEGA Agreement	\$803,996,000

James Donaldson presented a summary of the proposed project.

Project Description

This project will involve building a new 275,000 square foot, \$40 million facility in Big Rapids, Michigan or Peru, Indiana. This plant will produce metal office furniture and furniture components and will employ at least 75 people in the first year of operation and approximately 340 at full production in 1998. Average weekly wage will be approximately \$385. Total annual payroll at full production will be approximately \$7,200,000.

Benefit to State

According to the economic analysis done at the University of Michigan, by 2015, it is estimated that the project will generate a total of 1,101 jobs in the State. Total state government revenues through 2015, net of the MEGA costs and adjusted for inflation, would be increased by \$55,771,000 (1995 dollars) due to the presence of the Haworth facility.

This project would create more than \$40 million in personal income by 1998 for Michigan residents. It would also contribute more than \$4 million to local governments and schools through property tax payments over twenty years.

Cost Analysis

Haworth has evaluated the cost differential between a Michigan location and one in Indiana. Based on figures provided by the company, the cost gap on a net present value basis is greater than \$10 million. With the full MEGA benefit, the company expects only to break even on a cross-state basis. Primary differences in cost are for workers' compensation and unemployment insurance. This cost difference is exacerbated by a competitive offer from the state of Indiana. Staff examined these cost differences and concluded that they are a reasonable approximation.

Local Assistance

Local assistance includes tax abatement in excess of \$3.6 million over twelve years.

Staff Recommendation

Staff recommends that the MEGA offer a 100% Employment Credit and a 100% Business Activity Credit for a period of twenty years.

Member Murray questioned if granting of credits included the Coldwater and/or Big Rapids site, whichever is chosen. Mr. Donaldson responded that credits would be granted for the Big Rapids site only.

It was moved and supported that Resolution 1995-005 for Haworth, Inc., Determination of An Authorized Business be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None

It was moved and supported that Resolution 1995-006 for Haworth, Inc., Awarding Tax Credits and Approval of the Form of Written Agreement be adopted.

ADOPTED:

AYES: Mark Murray, John McCormack, Douglas Roberts, and David Porteous, Patrick Nowak, Douglas Rothwell

NAYS: None