## PROPOSED MINUTES

A 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 April 6, 1999 at 10:00 a.m.

**Members Present:**

Doug Rothwell
David Porteous
Phil Kazmierski (acting for and on behalf of James R. DeSana)
James Garavaglia (via phone)
Madhu Anderson (acting for and on behalf of Mark A. Murray)
Mary Lannoye (acting for and on behalf of Janet E. Phipps)

**Members Absent:**

Beth Chappell
John McCormack

**Others Present:**

Karen Ammarman, Michigan Economic Growth Authority (MEGA) Office, Michigan Economic Development Corporation (MEDC)
Dawn Baetsen, Director, National Business Development, MEDC
Robert Bosar, President & CEO, Select Steel Corporation
Jim Donaldson, Acting Vice President, Michigan Business Development (MBD), MEDC
Cristine Dreese, Recording Secretary, MEGA, MEDC
Lynn Fiedler, Permit Section Supervisor, DEQ-Air Quality
Amy Lane, Reporter, Crain's Detroit Business
Kathleen McMahon, Director of Communications, MEDC
Mike Pohnl, MEGA Specialist, MBD, MEDC
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
Howard Sutton, Vice President, Corporate Relations, Steelcase Inc.
Jim Tobin, Senior Vice President, Public Affairs, MEDC
Robert Trezise, Jr., Economic Development Coordinator, Delta Township
Richard Watkins, Township Manager, Delta Township

**<u>Call To Order</u>**

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

Prior to commencing with the agenda items, Chairperson Rothwell asked individuals in the room to introduce themselves and their affiliations.

**Adoption of the Minutes from the February 11, 1999 Meeting**

It was moved, supported, and carried that the minutes from the February 11, 1999 meeting be adopted.

**Public Comment**

There were no comments from the public.

**Action Items**

***Select Steel Corporation of America***
***500 Woodward Avenue***
***Detroit, Michigan 48226***

Chairperson Rothwell introduced Jim Donaldson from the MEDC and asked him to present the project. Mr. Donaldson welcomed Mr. Bosar from Select Steel and guests from Delta Township who were present on behalf of the project. He then summarized the key points from the briefing memo.

**Project Description**

Select Steel was founded in 1996 to develop a new specialty steel processing facility. Select Steel proposes to build a facility that will initially process specialty steel products and manufacture steel at either a location in Delta Township (Lansing area) or near Toledo, Ohio. This facility will produce bar quality alloy and stainless steel. Investment for this project will be approximately $160 million. Select Steel plans to create 85 jobs in the first year of operation and up to 200 jobs by the end of the third year. Average wage for these jobs is over $16 per hour.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 490 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $15.1 million (1998 dollars) due to the presence of the Select Steel facility.

Based on figures obtained from the company, the cost disadvantage for Select Steel to establish its new manufacturing facility in Delta Township rather than Ohio ranges from $240,000 to $1,635,000 annually over the term of the incentive. These cost differentials are due to lower utility costs, lower property tax costs and lower corporate tax costs in the early years of the project. In addition, an employment credit, offered by the state of Ohio, is worth approximately $300,000 annually and must be added to the cost differential.

Delta Township will provide a 50 percent property tax abatement for a period of 12 years worth nearly $15 million over the term of the incentive.

The state of Michigan will provide Select Steel with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth approximately $4.4 million over the term of the incentive. In addition, the state will offer job training assistance of $1,000 per job for up to 200 net new jobs, or a total of up to $200,000. Additionally, an infrastructure grant is offered for up to $2 million for waste water pretreatment and other infrastructure needs for the site in Delta Township.

<u>**Staff Recommendation**</u>

The Michigan Jobs Commission recommends a MEGA employment credit of 55 percent for up to 200 net new jobs and a business activity credit of 50 percent, each for 10 years.

<u>**Board Members' Discussion**</u>

Vice Chairperson Porteous gave the report of the Executive Committee. He indicated that the committee was comfortable with the staff's analysis of the cost differential between Ohio and Michigan. Mr. Porteous stated that the committee felt badly that Flint/Genesee County was going to lose out on the opportunity, which had been considered as a location for the project, but thought it was great that Delta Township stepped in and grabbed the opportunity to vie for this project, and in addition, looked to the Michigan Economic Development Corporation for help. Mr. Porteous pointed out that staff had not recommended the maximum credit available, but had recommended enough credit to significantly narrow the cost differential gap. The Executive Committee fully endorsed staffs' recommendation for the Select Steel project.

Mr. Bosar, of Select Steel, pointed out that the company is not a subsidiary of Dunn Industrial Group as the briefing memo stated. Mr. Bosar stated that Dunn is one of three owners in the project and that actual ownership will be redistributed as the project progresses.

Mr. Bosar also pointed out that Select Steel was no longer located in Detroit as the application and briefing memo stated. The company moved to Grand Blanc subsequent to the submission of its application.

There being no discussion from the Board, it was moved, supported, and carried that Resolution 1999-003 awarding tax credits to Select Steel Corporation of America be adopted.

**Abstain:** Board Member Garavaglia stated that he was abstaining from voting on this project due to his uncertainty of a relationship between Comerica Bank and Select Steel.

***Steelcase Inc.***
***901 44th Street, S.E.***
***Grand Rapids, Michigan 49508***

Chairperson Rothwell asked Jim Donaldson from the MEDC to present the project. Mr. Donaldson summarized the key points from the briefing memo.

**Project Description**

Steelcase is the largest office furniture manufacturer in Michigan with its headquarters in Grand Rapids. Steelcase has sales of nearly $2 billion annually. The company employs over 8,000 people in Michigan.

Steelcase wood furniture operations are located in Indiana, North Carolina, and Kentwood, Michigan. This sector of the office furniture market is expanding rapidly and the company plans to add up to 290 new jobs with an average weekly wage of $444 and a full benefit package. In addition to the expansion needs, the company must vacate its current leased facility in Kentwood. The new facility will need to house the 290 new employees and also have sufficient production space to house existing operations and staff. The company expects to invest $6 million in building costs and $7.8 million in new equipment. The company estimates it will have an additional $7.7 million in relocation costs.

Steelcase hired a consultant to do a multi-state search for an appropriate location. The list was reduced to two final possibilities in Michigan and North Carolina.

As part of the decision making process, Steelcase is considering relocating 700 existing wood products' jobs from Michigan to North Carolina. The potential for relocation of the Michigan jobs gives North Carolina an advantage because it can offer an incentive package that takes into account nearly 1000 jobs rather than the 290 that can be incented by the MEGA credit and other Michigan incentive programs.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 892 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by $52,749,000 (1998 dollars) due to the presence of the Steelcase facility.

Based on figures obtained from the company, the annual cost disadvantage for Steelcase to establish its new manufacturing facility in the Grand Rapids area rather than North Carolina is approximately $1.2 million. The cost differential is primarily attributable to labor costs, corporate taxes, and property taxes. In addition, capital costs are lower in North Carolina by approximately $6.5 million. There is an advantage for Michigan in the cost of transportation.

Gaines Township will provide a 50 percent property tax abatement for a period to match the community policy for machinery and equipment and real property. The state of Michigan will provide Steelcase with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. In addition, the state will offer job training assistance of $1,000 per job for up to 290 net new jobs, or a total of up to $290,000.

With an annual operating cost differential of over $1 million and a management staff in place in North Carolina, Steelcase has to base its decision on incentive packages offered by each community. Without the MEGA credit, Steelcase will not choose Michigan for the expansion of its existing operations.

**Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 90 percent for a period of 20 years for up to 290 net new jobs.

After the presentation, Mr. Donaldson clarified that Gaines Township does not provide for a full property tax abatement for all 12 years of the MEGA tax credit. Mr. Sutton explained that Gaines Township will provide the property tax abatement for six years on real and for four years on personal property taxes. Mr. Pohnl added that because of the Gaines Township location, the capital investment for the project is going to be around $34 million rather than the $14 million mentioned in the briefing memo.

**Board Members' Discussion**

Vice Chairperson Porteous stated for the record that because he was a shareholder of Steelcase, he could not participate in discussions of the project and deferred to Chairperson Rothwell to give the report of the Executive Committee. Chairperson Rothwell gave the report of the Executive Committee and recommended the Steelcase Inc. project to the full Board. Chairperson Rothwell expressed his disappointment that there was no representation from the local community involved in the project at the board meeting. He then stated committee discussions focused on the cost disparity between Michigan and North Carolina. Chairperson Rothwell recommended that we go ahead with the project, but once again, wanted to go on record that the Board was concerned that there was no participation in this discussion by the local community. Vice Chairperson Porteous stated that the Board has previously indicated that the local community must provide support to a project and that the State should be the last resort for assistance for a project. Mr. Sutton stated that "Gaines Township has been very supportive of Steelcase in its community and has been a very good neighbor and has participated heavily in this project." He added that the supervisor of Gaines Township wanted to be at this meeting, but had a prior commitment."

There being no further discussion from the Board, it was moved, supported, and carried that Resolution 1999-004 awarding tax credits to Steelcase Inc. be adopted.

**Shiloh of Michigan, L.L.C. - Amending Resolution**

Chairperson Rothwell introduced Dawn Baetsen of the MEDC to discuss a proposed amending resolution for Shiloh of Michigan, L.L.C. Ms. Baetsen reminded the Board that the company had requested an extension of its Anniversary Date from October 31, 1998 to January 1, 2000, because of delays in construction of the Romulus facility. Ms. Baetsen reported that the final pieces are coming together and that the company expects to be in full production by the end of the year. She also stated that Shiloh understands that this will be the only Anniversary Date extension considered for the company.

Chairperson Rothwell asked if there were any questions from the Board. There being no questions or further discussion, it was moved, supported, and carried that Resolution 1999-005 authorizing the extension of the Anniversary Date for Shiloh of Michigan, L.L.C. be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:45 a.m.