

ADOPTED 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 8, 1997 at 10:00 a.m.

Members Present:

Doug Rothwell
David Porteous
Beth Chappell
William LaMothe (via phone)
John McCormack (via phone)
Mark Murray
Joseph Fielek (acting for and on behalf of Douglas Roberts)
Phil Kazmierski (acting for and on behalf of Robert Welke)

Others Present:

Al Aceves, MEGA Specialist, Michigan Jobs Commission (MJC)
Greg Butzer, General Manager, Sprayform Technologies International
Cristine Dreese, Secretary, MJC
Jim Donaldson, Outstate Regional Director, MJC
Ron Hicks, Chief Engineer, Black & Veatch
Susan Lackey, President, Washtenaw Development Council
Amy Lane, Reporter, Crain's Detroit Business
Sheila Middaugh, Communications Office, MJC
Jim Paquet, Secretary to the MEGA Board, MJC
Mike Pohnl, MEGA Specialist, MJC
Doug Potter, Business Manager, Sprayform Technologies International
Douglas E. Stites, Chief Operating Officer, MJC
Jim Tobin, Director, Communications Office, MJC
John Wernet, Attorney General's Office
Steven Yambor, Executive Partner & Power Division Manager, Black & Veatch

Call To Order - The meeting was called to order by Chairperson Rothwell at 10:22 a.m.

Adoption of the Minutes from the March 19, 1997 Meeting - It was moved, supported, and carried that the minutes from the March 19, 1997 meeting be adopted.

Public Comment - There were no comments from the public.

Action Items

***Black & Veatch
8400 Ward Parkway
Kansas City, Missouri 64114***

Chairperson Rothwell asked Jim Donaldson to present the Black & Veatch project. Mr. Donaldson introduced Mike Pohni who introduced Ron Hicks and Steven Yambor from Black & Veatch and Susan Lackey from the Washtenaw Development Council. Mr. Donaldson then summarized the key points from the briefing memo on the project.

Black & Veatch is an engineering, construction, and facilities operation management company and currently has 162 partners in 80 offices around the world. The company employs more than 6,400 worldwide. Black & Veatch intends to add approximately 218 jobs in its United States operations. These jobs can go either to its Kansas City headquarters which currently has available office space or the company can choose to expand its operations in Ann Arbor. This project will involve the construction of a \$9.7 million facility and long-term lease to the company. Purchase of new fixtures and support equipment such as computers, phone systems, and other peripherals will cost the company an additional \$1.5 million. The jobs created at this facility will require at least a bachelor's degree and will pay an average weekly wage of \$970.

The annual cost disadvantage for Black & Veatch to establish its manufacturing facility in Ann Arbor rather than Missouri decreases from approximately \$900,000 initially to \$450,000 by the tenth year of operation. Factors which make Michigan a favorable location include the ability of the company to recruit and retain employees from the major universities within 500 miles of Ann Arbor.

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 681 new jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs would be increased by \$46,157,000 due to the presence of the Black & Veatch facility.

Staff Recommendation - The Michigan Jobs Commission recommends a MEGA employment credit of 30 percent for a period of 18 years for 218 net new employees.

Board Members' Discussion - Chairperson Rothwell indicated to the members that the substitute resolution they had received included a provision (b), at the bottom of page two, which had been inadvertently left out of the resolution contained in the packet that had been mailed to the Board.

Chairperson Rothwell asked Member Chappell to give the report of the Executive Committee. Ms. Chappell commended the company on the wonderful jobs that were being created. She indicated that the committee had carefully scrutinized the issues related to the "but for" requirement and the cost differential between Michigan and Missouri. The committee also discussed factors in Michigan, like the skilled labor force, which mitigated some of those costs. She noted that the potential future loss of existing jobs in Michigan was also considered. Based on its discussion, she indicated that the committee supported the award of a tax credit at the level recommended by staff.

Mr. Fielek asked what the 30% level recommended was based upon. Mr. Donaldson responded that the level of award was the product of negotiations with the company and was based on the cost differential between locating in Michigan or Missouri.

Mr. McCormack commended the staff for bringing two projects to the Board which were not in the automotive industry. Mr. Porteous indicated that as Black & Veatch's operations grew internationally, its dependence on local offices diminished. Securing the project would help protect Michigan's status as a regional center of the firm's activity as it consolidated its local offices.

There being no further discussion, Mr. Rothwell requested a motion. A motion to adopt the proposed resolution was made and seconded. The Black & Veatch resolution was unanimously adopted.

***Sprayform Technologies International
Operhall Research Center
1500 South Warner Street
Whitehall, Michigan 49461-1895***

Jim Donaldson introduced Mike Pohnl who introduced Greg Butzer and Doug Potter of Sprayform Technologies International. Mr. Donaldson then summarized the key points from the briefing memo on the project.

Sprayform Technologies International is a joint venture between Howmet Corporation headquartered in Greenwich, Connecticut, and Pratt & Whitney, a subsidiary of United Technologies Corporation, based in Hartford, Connecticut. Sprayform Technologies International will manufacture aerospace component parts. Howmet of Whitehall has developed breakthrough technology for producing rings and cases for jet engines. Estimated job creation for this project is 130 through the year 2003. Average weekly wage per employee is estimated at \$600. Estimated investment is \$8,800,000 in plant, machinery, and equipment.

Based on figures obtained from the company, the annual cost disadvantage for the joint venture to establish its manufacturing facility in Whitehall, ranges from approximately \$821,000 to \$2.6 million over seven years. The company has also described mitigating factors that, when quantified, assist in closing the cost gap for a Michigan location.

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 333 new jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$13,367,000 due to the presence of the Sprayform Technologies' facility.

Staff Recommendation - The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 130 net new employees and a business activity credit of 100 percent for a period of 7 years.

Board Members' Discussion - Prior to the Executive Committee report, Chairperson Rothwell indicated that a substitute resolution had been provided incorporating subparagraph (b) on page two, which had been inadvertently left out of the resolution contained in the Board members' notebooks. He then asked member Chappell to give the report of the Executive Committee.

Ms. Chappell reported that the project was attractive because it was in the aerospace industry and offered an opportunity to diversify Michigan's economy. She indicated that this was not the first time Michigan was competing with Georgia for a project, and that the committee was familiar with many of the cost issues which were discussed. The committee also focused on the "but for" requirement. Based on that discussion, the committee supported the staff's award recommendation for the project.

Mr. Porteous pointed out that it was clear that if Pratt & Whitney had its way, the project would likely be located in Georgia. He commended Howmet, which has a substantial Michigan presence, for working to get the joint venture located here and expressed his view that the MEGA should do its part to secure the project.

Chairperson Rothwell asked if there were other questions or comments. None were offered and he requested a motion. A motion to adopt the resolution was made and seconded, and the resolution was adopted unanimously.

N-K Manufacturing Technologies, Inc. - Amending Resolution

Chairperson Rothwell asked Mr. Donaldson to present the next issue on the agenda, a resolution amending the MEGA Tax Credit for N-K Manufacturing Technologies to allow a project site change.

Mr. Donaldson explained that to take advantage of a new order from a customer that required immediate production, N-K would need to locate in a pre-existing facility rather than construct a new one. The most suitable facility available was located in Grand Rapids rather than Allendale Township as originally approved by the MEGA. He indicated that the approved and proposed locations were within 25 miles of one another in the same market so the cost differential between locating in either versus the state of Kentucky was substantially the same. Grand Rapids was also willing to offer a tax abatement on the project satisfying the local support requirement. He also indicated that Allendale Township, while not happy about the change in N-K's plans, accepted the company's need to move quickly.

Mr. Murray asked if there was a letter indicating the Township's support for the change. Mr. Donaldson responded that he was not sure if anything had been received in writing from the Township.

Mr. Murray indicated that he would be more comfortable if we had a more formal indication of the local government's support for the move.

Chairperson Rothwell suggested that the proposed resolution could be amended to make it "subject to receipt of written acknowledgment of the Township of Allendale's support for the relocation of the project to Grand Rapids."

Mr. Porteous asked if the Board would say no to the project if the Township would not indicate its support. Chairperson Rothwell indicated he would still support the project. There was further discussion, with the Board reaching a consensus to amend the resolution as the Chairperson had suggested and await the Township's response to see if further action was required. Mr. Kazmierski pointed out that the resolution referred to the City of Allendale, rather than the Township of Allendale. The error was noted, and the N-K resolution was adopted with the two amendments.

It was moved, supported, and carried that Resolution 1997-007 for N-K Manufacturing Technologies, Inc. be adopted.

The date of the next meeting was announced as Tuesday, May 13 at 10:00 a.m.

The meeting was adjourned by Chairperson Rothwell at 10:55 a.m.