

## ADOPTED MINUTES

A rescheduled meeting of the Michigan Economic Growth Authority (MEGA) was held in the Governor's Executive Office's Cabinet Room on the 2<sup>nd</sup> Floor of the Romney Building, at 111 South Capitol Avenue, Lansing, Michigan on May 12, 1999 at 11:00 a.m.

### Members Present:

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

### Members Absent:

John McCormack

### Others Present:

Doug Adams, Project Manager, Michigan Economic Development Corporation (MEDC)  
Karen Ammarman, Michigan Economic Growth Authority (MEGA) Office, MEDC  
Chuck Birr, Executive Director, Allegan County Economic Development  
Kathy Blake, Acting SVP, Business Development, MEDC  
Lingg Brewer, State Representative, 68<sup>th</sup> District  
Bruce T. Carr, Business Park Chairman, Webberville Downtown Development Authority  
Bob Craig, Director - Office of Agricultural Development, Michigan Dept. of Agriculture  
Linda Dankoff, MEGA Specialist, Michigan Business Development (MBD), MEDC  
Jack Davis, Chair, Lansing Region Retain GM Panel  
Lee Davis, VP - Human Resources, Packerland Packing  
Jim Donaldson, Acting VP, MBD, MEDC  
Cristine Dreese, Recording Secretary, MEGA, MEDC  
Joe Drolett, Supervisor, Delta Township  
John Fisher, Communications Manager, General Motors  
Mark Hammond, President, Flagstar Bank, FSB  
David Hollister, Mayor, City of Lansing  
Kyle Johnson, Public Relations, General Motors  
Jeff Kaczmarek, Director, Community & Economic Development, Oakland County  
Mel Kent, President, Lansing Regional Chamber of Commerce  
Amy Lane, Reporter, Crain's Detroit Business  
Steven Leiby, Program Director, Michigan Works - Lansing Tri-County  
Mike Mack - General Director, S & L Taxes, General Motors  
Mary Kay McGuire, Senior Vice President, Flagstar Bank, FSB  
Kathleen McMahon, Communications Director, MEDC  
Greg Nicholas, Tax Manager, Ernst & Young

**Others Present (con't.):**

Marilyn Nix, Director - Real Estate Acquisitions, General Motors  
Rick Oberle, Economic Developer, Lansing Regional Chamber of Commerce  
Steve Oppen, Account Manager, MEDC  
Jim Paquet, Secretary to the MEGA Board, MEDC  
AuBurn Perkins, Chairman, Webberville Downtown Development Authority  
Jason Pierson, Student Assistant, MEDC  
Robert Rondeau, Executive Vice President, Flagstar Bank, FSB  
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office  
Doug Spivey, VP - Marketing, Packerland Packing  
Joe Sproles, Regional Manager, General Motors  
Mark Sullivan, Small Business Assistant, Ingham County EDC  
Ray Tadgerson, Capital Consultants Engineers; GM Blue Ribbon  
Jim Tobin, Vice President - Public Affairs, MEDC  
Richard Watkins, Manager, Delta Township  
Frank Whitney, Superintendent; Gun Plain Township

**Call To Order**

The meeting was called to order by Chairperson Rothwell at 11:05 a.m.

**Adoption of the Minutes from the April 6, 1999 Meeting**

It was moved, supported, and carried that the minutes from the April 6, 1999 meeting be adopted.

**Public Comment**

There were no comments from the public.

**Action Items**

***BEHR America, Inc.  
4500 Leeds Avenue, Suite 201  
Charleston, South Carolina 29405-8521***

Chairperson Rothwell introduced Kathy Blake and Jim Donaldson from the MEDC and asked Mr. Donaldson to present the project. Before beginning the presentation, Mr. Donaldson asked representatives of the company and guests from the local community who were present on behalf of the project to introduce themselves. Mr. Donaldson then summarized the key points from the briefing memo.

## Project Description

The BEHR Group, with its world headquarters in Stuttgart, Germany, is a leading international developer, manufacturer, and integrator of air conditioning, engine cooling components, fan and clutch, and modules for the automotive industry.

BEHR currently has a small office in Walled Lake, Michigan that employs 30 people, as well as manufacturing facilities in Charleston, South Carolina, Fort Worth, Texas, and Canton, South Dakota. Because of its product mix and the location of its customers, BEHR must locate a new facility in the Midwest.

BEHR is considering locating a new manufacturing facility in either Webberville, Michigan or Findlay, Ohio to produce thermal control clutches and fans for its automotive customers. The new facility will require an investment of over \$2 million for a building and over \$9 million for machinery and equipment. The facility will employ up to 124 at an average wage of \$712/week with a full benefit package. The facility will also house engineering, research and development, sales, marketing, and customer support.

According to the economic analysis done by the University of Michigan, the facility will generate a total of 468 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$23.6 million (1999 dollars) due to the presence of the BEHR America project.

Based on figures obtained from the company, the cost disadvantage for BEHR to establish its new manufacturing facility in Webberville rather than Ohio ranges from \$200,000 to \$300,000 annually over the term of the incentive. These cost differentials are due to lower labor and tax costs in Ohio. In the initial years of the project, tax incentives also increase the cost differential.

The State of Michigan will provide BEHR with a 100 percent abatement of the six-mill State Education Tax estimated to be worth approximately \$260,000 over the term of the incentive. In addition, the state will offer job training assistance of \$1,000 per job for up to 124 new jobs. Community Development Block Grant funding is offered for up to \$1,240,000 for public infrastructure at the Webberville site.

Webberville will provide a 50 percent property tax abatement for a period of 12 years worth nearly \$1.3 million over the term of the incentive.

To serve Midwest customers, BEHR could locate a facility in either Ohio or Michigan. Because of the cost disadvantage, particularly in the early years of the project, BEHR would not locate in Michigan without the MEGA incentive.

### **Staff Recommendation**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 124 net new jobs and a business activity credit of 100 percent, each for 20 years.

### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee recommending the BEHR America, Inc. project to the full Board. Member Porteous congratulated Chairperson Rothwell, the Governor and the MEGA team on securing the project which would not have located in Michigan, had the State not flexibly responded to the company's needs. He indicated that the Executive Committee was pleased that the local community had stepped forward with the level of incentives needed to land the project. He added that these are good paying jobs, and without the MEGA award, Michigan would not win this project.

Chairperson Rothwell asked for discussion from the Board. There being no questions from the Board, it was moved, supported, and carried that Resolution 1999-006 awarding tax credits to BEHR America, Inc. be adopted.

***Murco Foods, Inc.  
Eleven 11<sup>th</sup> Street  
Plainwell, Michigan***

Chairperson Rothwell introduced Jim Donaldson and asked him to present the project. Mr. Donaldson introduced Mike Pohnl from the MEDC who in turn asked representatives from the company and guests from the local community who were present on behalf of the project to introduce themselves. After individuals introduced themselves, Bob Craig from the Michigan Department of Agriculture took a moment to thank the MEGA Board and Murco Foods, Inc. for making it possible for Murco Foods to locate in Michigan and added that it was great news for Michigan's agricultural industry. Mr. Donaldson then summarized the key points from the briefing memo.

### **Project Description**

Murco Foods, Inc. Murco is located in Gun Plain Township near Plainwell. The company slaughters and processes beef. Murco currently employs about 850.

Murco must increase capacity at either its Green Bay or Gun Plain Township facility by nearly 50 percent. Capital investment is not large at \$1.5 million, but there will be additional upgrading of equipment in the future to sustain the expected growth. The expansion will also create up to 300 new jobs. Average weekly wage of the new jobs, if the Michigan facility is expanded, will be \$461 with a full benefit package.

The economic analysis done by the University of Michigan estimates the facility will generate a total of 703 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$48,945,000 (1998 dollars) due to the presence of the facility.

Based on figures obtained from the company, the annual cost disadvantage for Murco Foods, Inc. to expand its manufacturing operations in Gun Plain Township rather than Green Bay is approximately \$3 million. This cost differential is due to wage rates approximately 50 percent higher in Michigan versus Wisconsin, and utility costs. The higher utility costs are due to less efficient processing equipment and higher utility rates in Michigan.

The Michigan Economic Development Corporation and the local communities will provide Murco Foods, Inc. with up to \$2 million in infrastructure assistance for a waste water discharge line to improve the waste water processing at the facility.

Gun Plain Township will provide a tax abatement for up to 12 years worth \$151,691.

Murco Foods, Inc. must lower operating costs at the Gun Plain Township facility in order to upgrade the facility and operate profitably. While MEGA cannot offset the entire cost differential, the new facility, with a lower cost structure due to MEGA, can be competitive and offer the company increased capacity to meet sales goals in the future.

### **Staff Recommendation**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 300 net new jobs.

### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee recommending the Murco Foods, Inc. project to the full Board. When the Executive Committee initially looked at this project, there were some questions and concerns regarding worker safety and environmental issues. As the deal came to closure, the company had taken the necessary steps to ensure that during the construction the company would resolve all of the sewer and water issues necessary to protect the environment and the project would enhance worker safety. The Executive Committee also was impressed with the number of jobs that would be created because of the project.

Chairperson Rothwell asked for discussion from the Board. There were no questions from the Board. Mr. Craig of the Michigan Department of Agriculture asked to address the Board and stated that Michigan agriculture like agriculture nationally was experiencing difficult times. The Murco Foods project would not only mean a lot to the beef and dairy

farmers in this state, but would have a positive indirect impact on farm suppliers. A Murco Foods expansion in Wisconsin, would result in higher costs to Michigan farmers who would have to ship their cattle to other states for processing. Mr. Craig closed with the remark that the consumers, producers, and Michigan's economy would all benefit if Murco was to expand here in Michigan.

There being no further questions, it was moved, supported, and carried that Resolution 1999-007 awarding tax credits to Murco Foods, Inc. be adopted.

***Flagstar Bank, FSB  
2600 Telegraph Road  
Bloomfield Hills, Michigan 48302***

Chairperson Rothwell introduced Mr. Donaldson who in turn introduced Linda Dankoff from the MEDC who worked on the project. Ms. Dankoff welcomed the representatives of the company and guests from the local community and asked them to introduce themselves. After the introductions, Mr. Donaldson summarized the key points from the briefing memo.

### **Project Description**

Flagstar Bank is a federally chartered stock savings bank founded in 1987. It is the largest independent savings institution headquartered in Michigan. Flagstar is the thirteenth largest residential mortgage originator in the U.S., and services more than \$11.5 billion of residential mortgages for other investors. Flagstar also has 28 community bank branches throughout southern and western Michigan. Flagstar currently has 1900 employees, 1520 of which are located in Michigan.

Due to projected increases in their mortgage servicing business, Flagstar Bank is finding itself cramped in the leased space it has in Bloomfield Hills and Bingham Farms, Michigan. These facilities house the corporate headquarters as well as the mortgage servicing business.

Flagstar Bank is considering building a new corporate headquarters and mortgage servicing facility in Troy, Michigan, on a site already owned by the company, or moving its mortgage servicing business to leased space in Texas.

The expansion will result in the hiring up to 2,600 people over the next eight years. The jobs are expected to pay an average wage of \$340 per week and the company offers an excellent benefit package averaging 27 percent of wages.

If the company chooses to locate the mortgage business to Texas, Michigan would lose 1,000 current jobs, as well as the 2,600 anticipated new jobs. The corporate headquarters, with 200 jobs, will remain in Michigan.

According to the economic analysis done by the University of Michigan, the project will generate a total of 6,718 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, and adjusted for inflation, would be increased by \$209,134,000 (1999 dollars) due to the presence of the Flagstar Bank facility.

Based on figures obtained from the company, the annual cost disadvantage for Flagstar Bank, to establish its facility in Troy, Michigan, rather than Dallas/Fort Worth, ranges from approximately \$3,600,000 to \$8,500,000 over the term of the incentive. The cost differential is primarily attributable wage rates that are 17% lower in Texas and tax costs (including SBT and real property taxes) which are approximately three times higher in Michigan. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Texas.

Without the assistance offered by the MEGA program, Flagstar Bank would not expand in Michigan.

There is a substantial cost advantage to placing the project in Texas rather than Michigan, although Flagstar Bank already owns the 25-acre site in Troy, it could easily be sold for a profit. Because the company was founded in Michigan and has had extremely good success, its Board of Directors would prefer to remain in Michigan. They also know that moving to Texas would create disruption in their business which they would like to avoid if at all possible. However, without the inducement offered by MEGA, the significant cost differential would force the company to choose Texas as a site for its new facility.

### **Staff Recommendation**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 2,600 net new jobs.

### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee recommending the Flagstar Bank project to the full Board. Mr. Porteous stated that Flagstar was going through rapid growth and that the Executive Committee realized that the type of work planned at the new facility could be done anywhere in the United States. The competition for the project was intense. Mr. Porteous stated that of all the MEGA projects that we have awarded, this project would result in the largest number of direct jobs being created, approximately 2,600. Initially, the Committee was concerned that Flagstar would be unable to find qualified employees in Oakland County to fill all the new positions, but Flagstar is confident that it can fill the entry-level jobs and it is prepared to train individuals to fill the positions.

Chairperson Rothwell asked for discussion from the Board. Board member Chappell remarked that she was delighted with the possibility that Flagstar could be providing wonderful job opportunities to people in the Oakland County area and with the fact that the bank has been such a successful company.

Board member Garavaglia asked how much of the 25 acre site would be used for the project, Mr. Hammond, President of Flagstar, responded that the bank would be using a portion of the site for its 350,000 square foot facility.

Board Member Kazmierski asked whether the public transportation system would be able to accommodate the new employees. Mr. Kaczmarek, Director of Community and Economic Development for Oakland County responded that the public transportation system is going to be a key component in getting people to the employment sites. He stated that the local units of government were already working together to improve the public transportation system.

There being no further questions, it was moved, supported, and carried that Resolution 1999-008 awarding tax credits to Flagstar Bank, FSB be adopted.

***General Motors Corporation  
3044 West Grand Boulevard  
Detroit, Michigan 48202-3091***

Chairperson Rothwell introduced Mr. Donaldson from the MEDC and asked him to present the project. Mr. Donaldson welcomed the representatives of the company and guests from the local community who were present on behalf of this project and asked them to introduce themselves. After the introductions, Mr. Donaldson then summarized the key points from the briefing memo.

### **Project Description**

General Motors, founded in 1908, is the world's largest industrial corporation and vehicle manufacturer. The company has manufacturing, assembly, or component operations in 50 countries.

General Motors proposes to create a new company to build and operate a manufacturing facility in either Lansing, Michigan or a confidential site outside of Michigan. The proposed facility will manufacture up to 211,000 vehicles annually. Product for this facility will be new to Michigan and is currently produced in Germany. The project will require an investment in excess of \$500 million and will employ over 1500 people within the first three years. The average wage at this facility will exceed \$23/hour with an extensive benefit package. General Motors expects to begin production in the first quarter of 2002, with a ramp-up to full capacity within five years.



According to the economic analysis done by the University of Michigan, this facility will generate a total of 32,839 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 \$2,090,727,000 (1999 dollars) due to the presence of the facility.

Based on figures obtained from the company, the annual cost disadvantage for General Motors to establish its new manufacturing facility in Lansing rather than the alternative location is approximately \$15 million. The cost differential is primarily attributable to labor-related cost differentials and tax costs.

The state of Michigan will provide General Motors with nearly \$10 million for infrastructure assistance to improve access to the site and increase water and sewer capacity. Also, up to \$2.2 million is offered to General Motors for training of up to 2200 employees of the new facility. In addition, a low interest loan from the Department of Environmental Quality will assist with the cleanup of any existing environmental problems on the proposed site.

The City of Lansing and the Lansing Board of Water and Light will offer up to \$13.1 million for road and other infrastructure improvements as well as off-site parking and transportation to the site for workers during the construction period. In addition, the city will offer a 100 percent abatement of personal property taxes for new equipment and a 50 percent abatement of real property taxes for a period of 12 years.

General Motors has the opportunity to site this facility anywhere in North America. By putting this facility in the alternative location, the company could expect to reduce labor costs and tax costs. Without the incentives offered by MEGA to reduce cost disadvantages, General Motors would not choose Lansing for this facility.

### **Staff Recommendation**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 2500 net new employees and a 100 percent business activity credit for a period of 20 years.

After Mr. Donaldson presented the project, Chairperson Rothwell added that the MEGA award for the 2,500 net new employees could only be received if new jobs are actually created. Chairperson Rothwell also took a minute to recognize and publicly thank all staff involved in this project.

### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee recommending the General Motors Corporation project to the full Board. Mr. Porteous said the Executive Committee was impressed by the nature and the size of this project, which touches on all the reasons why MEGA was created. He praised the cooperation between state and local government, the company, and union.

Mr. Porteous also mentioned that the Executive Board was pleased to provide the best possible package to General Motors that the law allowed the MEGA to award and pointed out that this was the first MEGA credit for any of the Big 3.

Board Member Murray added that the original Olds building was in Detroit, but that plant had burnt down in 1903. At that time, a decision was made to build the Lansing assembly plant, which has remained in existence ever since. Board Member Murray personally acknowledged Mayor Hollister's efforts to retain General Motors in the Lansing area and stated that the City of Lansing is much better off because of Mr. Hollister's leadership. He also praised the dedication and commitment to quality of the local GM work force.

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 1999-009 awarding tax credits to General Motors Corporation be adopted.

The meeting was adjourned by Chairperson Rothwell at 12:05 p.m.