

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 June 10, 1997 at 10:00 a.m.

Members Present:

Douglas E. Stites (acting for and on behalf of Doug Rothwell)

David Porteous

Phil Kazmierski (acting for and on behalf of James DeSana)

NOTE: Mr. Kazmierski joined the meeting during the discussion of Bosal Industries Georgia, Inc.

William LaMothe (via phone)

John McCormack

Mark Murray

Mark Haas (acting for and on behalf of Douglas Roberts)

Members Absent:

Beth Chappell

Others Present:

Al Aceves, MEGA Specialist, Michigan Jobs Commission (MJC)

Trina Anderson, Marketing Sales Manager, The Christman Company

Bill Barker, President, Bosal North America

Cristine Dreese, Secretary, MJC

Jim Donaldson, Outstate Regional Director, MJC

Ed Hekman, Vice President Planning, Autocam Corporation

Jim Hendricks, Executive Director, Sault Ste. Marie EDC

Amy Lane, Reporter, Crain's Detroit Business

Ben E. Mason, Account Manager, MJC

Don Morandini, Economic Development Director, Macomb County

Jim Paquet, Secretary to the MEGA Board, MJC

Mike Pohnl, MEGA Specialist, MJC

Read Ross, Michigan Travel Services & Public Affairs, Communications Office, MJC

Robert Tess, Senior Planner, Macomb County

Warren A. Veltman, Chief Financial Officer, Autocam Corporation

Warren Webermin, Vice President, National TechTeam

John Wernet, Attorney General's Office

Call To Order

The meeting was called to order by Douglas E. Stites at 10:08 a.m.

Adoption of the Minutes from the April 8, 1997 Meeting

It was moved, supported, and carried that the minutes from the April 8, 1997 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***Autocam Corporation
4070 East Paris, SE
Kentwood, Michigan 49512***

Acting Chairperson Stites asked Jim Donaldson to present the Autocam Corporation project. Mr. Donaldson introduced Mike Pohnl who introduced Warren Veltman and Ed Hekman from Autocam Corporation. Mr. Donaldson then summarized the key points from the briefing memo on the project.

Autocam was started in 1988. Current employment in Michigan is about 250 people. Presently, the company has Michigan facilities in Kentwood and Grand Rapids. Autocam produces automotive components used in fuel and ABS braking systems.

Autocam is considering locating a new facility in Marshall, Michigan or South Carolina. This expansion is expected to increase sales by \$40 million within three years after the facility is completed in June 1998. Employment growth will be approximately 200 employees by the third year. Average wage of the new jobs is expected to be \$724 per week.

We estimate this facility will generate a total of 749 new jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation would be increased by \$29,723,000.

The annual cost disadvantage for Autocam to establish its manufacturing facility in Marshall rather than Gaffney, South Carolina, ranges from approximately \$660,000 to more than \$1,300,000 over the term of the incentive. The cost differential is primarily attributable to wage and wage related costs.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years and a business activity credit of 25 percent for a period of 20 years, for up to 200 net new employees.

Board Members' Discussion

Acting Chairperson Stites asked Member Porteous to give the report of the Executive Committee. Mr. Porteous started out by sharing a background history of Autocam Corporation. Prior to Autocam being purchased by new owners, the predecessor was about to file bankruptcy for the corporation and Autocam was in serious trouble. The new owners turned the company around which allowed them to keep many jobs in the Grand Rapids area. He also explained that Autocam Corporation has exceptional wages and benefit packages for its employees. The Executive Committee discussed whether South Carolina would be able to provide the skilled workers that Autocam Corporation would need. The conclusion was that 10 years ago South Carolina might not have had skilled workers available but the Executive Committee agreed with MJC staff that South Carolina would probably have a more skilled workforce now. With all this in mind, the Executive Committee agreed that they wanted to keep Autocam Corporation in Michigan and are hoping that, with a tax credit, Autocam will choose to expand its operations here. He stated the Committee's recommendation that the credit as presented in the Board packet be adopted.

Member Haas asked what the value of the property tax abatements were. Mike Pohnl responded that the value of the 6-mill abatement was \$450,000 and the local property tax abatement was \$2.1 million over 12 years.

Mr. Porteous questioned whether the company explored locating the project in the Grand Rapids Renaissance Zone. Mr. Stites responded that the company had diligently pursued that option, but had received no response to advertisements for skilled labor.

It was moved, supported, and carried that Resolution 1997-008 awarding tax credits to Autocam Corporation be adopted.

***Bosal Industries Georgia, Inc.
One Bosal Way
Post Office Box 230
Lavonia, Georgia 30553***

Acting Chairperson Stites asked Jim Donaldson to present the Bosal Industries Georgia, Inc. project. Mr. Donaldson introduced Ben Mason who introduced William Barker from Bosal Industries Georgia, Inc. Mr. Donaldson then summarized the key points from the briefing memo on the project.

Bosal Industries Georgia, Inc., is part of the Bosal Group, Inc., an international designer, developer, and manufacturer of exhaust systems, catalytic converters, tools and garage equipment, warehouse racking systems, and precision steel tube products. The Bosal Group currently employs over 6,600 people on four continents.

Bosal does not have a manufacturing facility in Michigan, but operates two other facilities with a total of 60 employees. Bosal intends to expand its operations and add 110 jobs. These jobs can go either to Lavonia, Georgia, to an existing facility, or the company may locate manufacturing operations in Warren, Michigan.

Bosal will fabricate complete exhaust systems, perform quality assurance and provide sequential in-line servicing for the Lake Orion and Poletown GM plants. Operations would start October 1, 1998. Alternatively, the product can be produced in Lavonia, Georgia, and shipped to a warehouse where a skeletal crew of workers would provide the sequential in-line servicing for GM.

Estimated employment creation is 85 in year one and would peak at 110 employees in year three. The average wage for all new employees is \$562.

According to the economic analysis done by the University of Michigan, the facility will generate a total of 253 new jobs by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation would be increased by \$11,323,000 due to the presence of the Bosal facility.

The annual cost disadvantage for Bosal to establish its manufacturing facility in Warren, Michigan, rather than Lavonia, ranges from approximately \$175,284 to \$350,621. The cost differential is primarily attributable to wages, utilities, building, taxes, and incentives.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for the first three years and 50 percent for fifteen additional years for up to 110 net new employees. This offer will be contingent on the company receiving a local property tax abatement.

Board Members' Discussion

Acting Chairperson Stites asked Member Porteous to give the report of the Executive Committee. Mr. Porteous began by indicating that Bosal qualified for the 75 job in state job creation threshold because of 60 existing jobs at related companies in Ann Arbor. He explained that the Executive Committee had carefully reviewed the costs of locating in Georgia versus Michigan. The Committee found that although transportation costs would be higher if the project located in Georgia, the State of Georgia was offering its own incentives, and Georgia still had a cost advantage over Michigan in obtaining the project. Member McCormack raised a question pertaining to the entry level wages in Georgia. It was answered that entry level wages are currently 25-30% lower in Georgia than in Michigan. Mr. Porteous mentioned that MJC Staff was creative in responding to the issues and concerns that Bosal Industries Georgia had for locating the project in Michigan versus

Georgia. He hoped that, with a MEGA credit closing part of the cost gap, there would be adequate inducement to Bosal to locate its first manufacturing facility in Michigan. He stated the Committee's recommendation that the credit be adopted.

It was moved, supported, and carried that Resolution 1997-009 awarding tax credits to Bosal Industries Georgia, Inc. be adopted.

***National TechTeam, Inc.
22000 Garrison Avenue
Dearborn, Michigan 48124***

Acting Chairperson Stites asked Jim Donaldson to present the National TechTeam, Inc. project. Mr. Donaldson introduced Jim Hendricks from the Sault Ste. Marie EDC who in turn introduced Warren Webermin from National TechTeam, Inc. Mr. Donaldson then summarized the key points from the briefing memo on the project.

National TechTeam, Inc., is a publicly traded company on the NASDAQ stock exchange. The company, headquartered in Dearborn, Michigan, with 1,000 Michigan employees, provides computer training, corporate computer support services, call-center services, networking services, and systems integration for Fortune 500 companies and their suppliers.

National TechTeam, Inc., is considering locating a call-center service operation in either Sault Ste. Marie, Michigan or Greenville, Texas. The operation will create up to 218 new jobs for entry level positions which will pay an average of \$309 per week. The company will be working with local high schools to train and recruit graduating students to work at the call-center. The project will be a cooperative effort between the local schools, the Sault Ste. Marie Tribe of Chippewa Indians and National TechTeam.

According to the University of Michigan, we estimate this facility will generate a total of 277 new jobs in the state by the year 2006. Total state government revenues through the year 2006, net of MEGA costs and adjusted for inflation would be increased by \$4,500,000 due to the presence of the National TechTeam facility.

The annual cost disadvantage for National TechTeam, Inc. to establish its manufacturing facility in Sault Ste. Marie rather than Greenville, Texas, is approximately \$325,000 over the term of the incentive. The cost differential is primarily attributable to building costs and taxes.

Because of the nature of the project, the project is ineligible for a property tax abatement. However, the Sault Chippewa Tribe will provide a low-cost leased facility, and provide training and recruitment assistance to the company.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of three years, 60 percent for two years and 30 percent for four years for up to 218 net new employees.

Board Members' Discussion

Acting Chairperson Stites asked Member Porteous to give the report of the Executive Committee. Mr. Porteous started out by noting that National TechTeam has had exceptional growth here in Michigan and it does not look like the growth pattern is going to slow down anytime in the near future. One of the biggest questions that the Executive Committee had was whether or not the State should provide incentives to a company that had previously received a MEGA award. The Executive Committee decided that each project stands on its own and that prior MEGA awards should not disqualify a worthwhile project. The Executive Committee discussed whether National TechTeam was really serious about locating a project in Sault Ste. Marie. It was determined that the community had worked together to form a partnership with the local EDC, the local community and the Tribal Nation all contributing something to attract the company. The Executive Committee also discussed the fact that Michigan is in competition with every other state for national call centers. We want to keep National TechTeam here, especially in the Upper Peninsula where the State needs more projects like these that will produce full-time positions with benefits. The lack of fiber optics capabilities in the Sault was a concern, but National TechTeam believes it can work around this issue and, with the MEGA incentives, still find it financially feasible to locate in the Upper Peninsula. Mr. Porteous stated that the Executive Committee's recommendation is that the award be adopted.

Mr. LaMothe asked whether the Sault project could retain people once they were trained given the higher wages paid in other parts of the state. Mr. Stites replied that one reason the Sault was chosen was to reduce turnover and that the wages were relatively good for the area. Mr. Porteous added that although the wages were close to the minimum required by the MEGA Act, the project provided technology-oriented jobs and would add diversity to the Upper Peninsula economy.

Mr. Stites pointed out that the job creation promised by the first National TechTeam project in Southfield, would have to be achieved in order to activate this second MEGA tax credit.

It was moved, supported, and carried that Resolution 1997-010 awarding tax credits to National TechTeam, Inc. be adopted.

Kwang Jin America, Inc. - Amending Resolution

Al Aceves presented the Kwang Jin America amendment. He indicated the company had requested an extension of its anniversary date from December 31, 1998 to December 31, 1999, because a down turn in the Korean economy had delayed its Michigan investment plans. He reported that the company had demonstrated good faith by purchasing the property and planned to begin construction no later than May 1998.

Mr. Porteous noted that the Executive Committee had discussed all three amendments for anniversary date extensions and had asked staff to make recommendations to the Board on a policy for amending anniversary dates. As to the specific request by Kwang, he indicated that it was a closer call than the other two amendments to be discussed. There was some reluctance to authorize an extension based upon a softening in the economy. However, given the company's intention to move forward, its purchase of the land, and the uniqueness of the project as the first Korean manufacturing operation in Michigan, the committee was recommending adoption of the amendment.

A question was raised as to the significance of the anniversary date. Mr. Stites responded that it was the date by which the minimum number of jobs, in this case 75, had to be created at the project.

It was moved, supported, and carried that Resolution 1997-011 for Kwang Jin America, Inc. be adopted.

Lacks Industries, Incorporated - Amending Resolution

Jim Paquet presented. He stated that the Lacks Industries project involved construction of electro-plating and injection-molding facilities and expansion of an assembly/distribution facility, all in Kentwood. The assembly/distribution facility was nearly complete but the other two facilities had been slightly delayed due to an increase in customer demand for plated versus painted products. As a result, it made more sense to locate the injection molding facility near an existing plating facility. The change in location required new permits and approvals which delayed construction. Lacks is requesting a three month extension of its anniversary date to September 30, 1998.

Mr. Porteous indicated that the Executive Committee felt very comfortable granting the amendment for Lacks Industries, Incorporated and recommended approval of Resolution 1997-012 to authorize a site change for two of the three buildings of the project and to authorize changing the Anniversary Date for the project to September 30, 1998.

It was moved, supported, and carried that Resolution 1997-012 for Lacks Industries, Incorporated be adopted.

Pilot Industries, Inc. - Amending Resolution

Mike Pohnl presented the Pilot Industries amendment. The Pilot project, which is currently under construction, had been delayed by a change in the timing of customer needs for the components to be produced at the project.

Mr. Porteous indicated that the Executive Committee felt comfortable with an extension in this case. Staff had verified the delay in the customer's product program and the committee felt that Pilot ought not be penalized for circumstances that were beyond its control. He stated the Committee's recommendation that Resolution 1997-013 to authorize changing the Anniversary Date for the project to October 1, 1998 be approved.

It was moved, supported, and carried that Resolution 1997-013 for Pilot Industries, Inc. be adopted.

Mr. Paquet announced that the MEGA meeting for July was most likely going to be rescheduled. He told Board members that the meeting probably would be rescheduled for July 25 at 11:00 a.m.

The meeting was adjourned by Mr. Stites at 10:55 a.m.