

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Lansing Center – Rooms 101-103, 333 East Michigan Avenue, Lansing, Michigan on June 13, 2000 at 10:00 a.m.

Members Present:

Beth Chappell
Mark Haas (acting for and on behalf of Mark Murray, authorization attached)
Phil Kazmierski (acting for and on behalf of James DeSana, authorization attached)
Mary Lannoye (acting for and on behalf of Janet E. Phipps, authorization attached)
Doug Rothwell
Tim Ward

Members Absent:

Craig DeNooyer
Sarah Deson-Fried

Others Present:

Karen Ammarman, MEGA, MEDC
Peter Anastor, MEGA, MEDC
Kathy Blake, Senior Vice President, Business Development, MEDC
Ann Brazean, EDC Board – Lansing
Gregory Burkhart, Ernst and Young, LLP
Vincent Buscemi, LDM Technologies
Linda Dankoff, Senior Project Manager, MEGA, MEDC
Dan Domenicucci, Ernst and Young, LLP
Jim Donaldson, Vice President, Business Development, MEDC
Dave Hollister, Mayor of Lansing
Jim Hopson, General Motors Corporation
David Jeup, Vice President, Global Business Development, MEDC
Mel Kent, Lansing Regional Chamber
Maureen Krause, Oakland County ED
Amy Lane, Crains Detroit Business
Michael Lewis, Dean & Fulkerson, PC
Amy McEwen, Delta Township
Kathleen McMahon, Communications Director, MEDC
Peggy McNichol, Ernst and Young, LLP
Marilyn Nix, General Motors
Jim Paquet, Secretary to the MEGA Board, MEDC
Ed Reed, Business Development, MEDC
Ellen Ross, MEGA, MEDC
Read C. Ross, Public Affairs, MEDC
Kelly Rossman-McKinney, Delta Township
Tom Schimpf, Attorney General's Office

Stephen Serkaian, Kalt & Serkaian Communication
Dave Smith, LDM Technologies
Doug Smith, City of Troy
Bob Swanson, City of Troy
John Szerlag, City of Troy
Ray Tadgerson, Blue Ribbon Committee – Capital Consultants Engineers
Tara Thelen, Mackinac Center
Suzanne Thelen, Lansing Regional Chamber
Bob Trezise, Jr., Lansing Regional Chamber
Richard Watkins, Delta Township
Tom Woods, Delphi Automotive Systems

Call To Order:

Chairperson Rothwell called the meeting to order at 10:05 a.m.

Adoption of Minutes from the May 23, 2000 Meeting:

It was moved, supported and carried that the minutes from the May 23, 2000 meeting be adopted.

Public Comment:

There were no comments from the public.

Action Items:

Altair Engineering, Inc.
1757 Maplelawn Drive
Troy, Michigan 48084

Jim Donaldson presented the project.

Altair proposes to construct a new facility to house its Commercial Software Products, Software Consulting, Product Engineering Consulting and Customer Site Services business units. The company would build a 105,000 square foot office building. Capital investment would include \$15.7 million for the facility and \$10.3 million for equipment, for a total of \$26 million.

The company anticipates adding up to 475 jobs at the facility within 5 years, with average weekly wages of \$947 and a benefit package equal to approximately 27 percent of wages. Construction would begin in July 2000 and the facility will be operational by January 2002. The company is exploring sites in Troy, Michigan or Greenville, South Carolina for this expansion.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 475 net new jobs for a period of four years, 75 percent for a period of six years and 50 percent for a period of two years, and a business activity credit of 100 percent for a period of four years and 50 percent for a period of four years.

Board Discussion:

Tim Ward presented the report of the Executive Committee. The threat of this company locating in South Carolina should be taken seriously as the business is suited for location in South Carolina. Adoption of this resolution will have an end result of this company doubling in size and will prevent relocation of 250 Michigan jobs to South Carolina.

Chairperson Rothwell asked if there were any questions from the Board. There were none. He then called the Board's attention to the draft Resolutions which were provided at the meeting. It was moved, supported and carried that Resolution 2000-13 awarding tax credits to Altair Engineering, Inc. be adopted.

Mr. Rothwell congratulated the Company and asked the representatives of Altair to introduce themselves.

Action Item:

Delphi Automotive Systems Corporation Subsidiary
5725 Delphi Drive
Troy, Michigan 48098

Jim Donaldson presented the project.

The proposed project would involve an expansion of the company's existing corporate staff as well as a consolidation of divisional headquarters' staffs that would be transferred from outside the state. The project would create up to 600 new Michigan jobs over the next three years, some of which would be transferred from out of state. These jobs would pay an average weekly wage of \$1,250 with a benefit package equal to approximately 30 percent of wages.

The company would construct two new office facilities in Troy, Michigan totaling 240,000 square feet. Capital investment in the buildings would total \$40.5 million and new equipment purchases would add \$11.3 million. The alternative site being considered by Delphi for this expansion and consolidation is an existing facility owned by the company in another Midwest state.

Recommendation:

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

Board Discussion:

Tim Ward presented the report of the Executive Committee. He indicated that in addition to the direct benefits of the current project, the project would enhance the potential for future expansion in Michigan. The MEGA credit would offset the cost of a significant non-revenue producing investment in a building that would not be required if the company located elsewhere.

Chairperson Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-014 awarding tax credits to Delphi Automotive Systems Corporation Subsidiary be adopted.

Mr. Rothwell congratulated the company and asked representatives of Delphi to introduce themselves. Tom Woods and Richard Zablocki introduced themselves. Mr. Zablocki thanked the MEGA staff and the Board on behalf of the company. Dave Smith thanked the Board on behalf of the City of Troy for helping it retain Delphi and attract Altair. Mr. Rothwell praised Mr. Smith's efforts and leadership in working with the city to fashion a local incentive package that would make the deal work.

Action Item:

LDM Technologies, Inc.
2500 Executive Hills Drive
Auburn Hills, MI 48326

Jim Donaldson presented the project.

The proposed project would involve leasing and equipping a new manufacturing facility to produce bumper facias. Capital investment would total \$39.4 million and would lead to creation of 320 jobs within five years at an average weekly wage of \$565.

Romulus, Michigan is competing for the project with Tilbury, Ontario, which has a cost advantage of approximately \$700,000 annually over the life of the incentive. While the MEGA credit would not make up the entire gap, it would, along with a skilled local workforce and the opportunity to build a showcase plant convenient

to the company's customers in the auto industry, tip the balance in Michigan's favor.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA Employment Credit of 100 percent for eleven years and 50 percent for one year, for up to 320 net new jobs, and a business activity credit of 100 percent for eleven years and 50 percent for one year.

Board Discussion:

Tim Ward gave the report of the Executive Committee. He indicated that the competing location in Tilbury was right across the border with easy access to LDM's customers. Because of the need to retrofit the Romulus facility, the MEGA credit is needed to offset Tilbury's advantage.

Mr. Kazmierski asked if the \$11.4 million building cost was for the retrofit of the Romulus facility. Mr. Donaldson indicated that it was the capitalized lease cost.

Ms. Lanoye asked if the building cost more in Ontario. Mr. Rothwell responded that the costs were comparable. Linda Dankoff added that the cost gap the MEGA was addressing was primarily due to a wage differential.

Chairman Rothwell asked if there were any other questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-015 awarding tax credits to LDM Technologies, Inc. be adopted.

Mr. Rothwell congratulated the company and asked the representatives of the company to introduce themselves. Mssrs. Buscemi, Smith and Lewis introduced themselves. Mr. Buscemi thanked the Board and also expressed his appreciation to Romulus for its efforts.

Brian Unlimited Distribution Company (BUDCO) – Amending Resolution

Jim Paquet presented the Amendment to the Board.

BUDCO has until its Anniversary Date of June 3, 2000 to create 75 jobs. Due to delays in securing financing and consequent delays in construction, the facility is just now nearing completion. Because of the delays and the inability to occupy the new facility, growth at BUDCO has been slowed. The company has hired 60 net new employees to date. When the company moves into the new facility, it expects the rate of employment growth to increase. BUDCO has requested that its anniversary date be extended to February 28, 2001, to allow the company time to move existing operations into the new building and to continue hiring new employees.

Recommendation:

Staff recommends that the Anniversary Date be extended to February 28, 2001, to allow the company to meet the employment creation requirements. The extension will not change the end date or the number of years of the MEGA credit. It is expected that the company will not lose a year of the credit if it creates a minimum of 75 new jobs by February 28, 2001.

Chairperson Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-016 extending BUDCO's Anniversary Date to February 28, 2001 be adopted.

General Motors Corporation – Amending Resolution

Jim Paquet presented the Amendment to the Board.

In May of 1999 the MEGA adopted Resolution 1999-009 awarding a twenty year tax credit to a new company, to be formed by General Motors, to build and operate a manufacturing facility in Lansing. The project, which was projected to require a capital investment of \$500 million, is now more than 50% completed and training of the estimated 2500 employees is expected to begin in early 2001.

Recently changes in the MEGA Act were adopted which would allow companies to receive MEGA credits for retaining jobs that would otherwise be lost, as well as for creating new jobs.

General Motors has requested that its existing MEGA award be amended to allow it to receive its tax credit based on the amended law's job retention provisions. The GM Lansing project meets the requirements of the MEGA Act as amended because it involves capital investment of at least \$500 million, retention of at least 500 jobs, and relocation of production of a product new to Michigan.

The Resolution before the Board will amend those portions of the original MEGA tax credit award needed to conform the award to the new statutory provisions. It will allow General Motors Corporation to own and operate the new Lansing facility, avoiding formation of a new company to house the project, and to receive the MEGA credit based on job retention.

Chairperson Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-017 amending the MEGA credit award, to reflect the new statutory provisions, of the General Motors Corporation tax credit be adopted.

Action Item:

General Motors Corporation
400 Renaissance Center Drive
Detroit, Michigan 48265

Jim Donaldson presented the project.

The project proposed by GM involves a new manufacturing site including a vehicle assembly center and a regional stamping facility. Once operational, the new facilities would produce vehicles not currently produced at other Lansing area facilities. The company is applying for a job retention MEGA tax credit in order to keep employment in the Lansing area.

The project involves capital investment of \$1.05 billion. Retained jobs at the project would total 2,800 over a three-year period at an average weekly wage of \$1,213 and a benefit package of approximately 30 percent of wages. Construction would begin in September 2000 and be complete by September 2003. Production at the facility would begin in November 2003.

Mr. Donaldson pointed out that the REMI analysis was modified to look at the impact of losing jobs currently in Michigan if the project were lost to another state. The analysis showed 28,561 fewer jobs without the project, largely because of the significant multiplier effect associated with automobile manufacturing.

Recommendation:

The Michigan Economic Development Corporation recommends a MEGA job retention employment credit of 50 percent for up to 2,800 jobs for a period of twenty years, and a MEGA job retention business activity credit of 50 percent for a period of twenty years.

Board Discussion:

Tim Ward gave the report of the Executive Committee. He noted that the project could go literally anywhere in the country. He cited the tremendous scope of the project which would increase personal income over the life of the credit by \$22 billion and involve the largest number of direct jobs of any MEGA project to date. He also indicated that the local support for the project was unprecedented.

Mr. Rothwell introduced Mayor David Hollister of Lansing. Mayor Hollister stated that the project required 2-1/2 years and a complicated intergovernmental approach to secure. He introduced the Blue Ribbon Committee of local officials that worked on the project. On behalf of the Committee, Richard Watkins of Delta Township thanked the MEGA Board and MEDC staff.

Ms. Chappell asked how much of the cost gap the MEGA was closing. Mr. Donaldson said the cost gap was \$165 million dollars with all incentives except MEGA figured in. The MEGA award would provide \$102 million, and close 62% of the gap.

Chairperson Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-018 awarding tax credits to General Motors Corporation be adopted.

The meeting was adjourned at 10:55 a.m.