

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 July 14, 1998 at 10:00 a.m.

Members Present:

Doug Rothwell
David Porteous
Beth Chappell (via phone)
Phil Kazmierski (acting for and on behalf of James R. DeSana)
John McCormack
Mary Lannoye (acting for and on behalf of Janet E. Phipps)
Mark Haas (acting for and on behalf of Douglas Roberts)

Members Absent:

None

Others Present:

Al Aceves, Deputy Director, International and National Business Development (INBD), Michigan Jobs Commission (MJC)
Karen Ammarman, MEGA Office, MJC
Dawn Baetsen, Director, National Business Development, MJC
Greg Burkart, Director, INBD, MJC
Mark Calabrese, Intern, Porteous and White, P.C.
Jim Cash, Vice President, The Christman Company
Jim Donaldson, Deputy Director, Michigan Business Development (MBD), MJC
Cristine Dreese, Secretary, MJC
J.L. Elser, Regional Human Resources Manager, The Minute Maid Company
Ted Ghiz, State and Local Tax Counsel, The Coca-Cola Company
Bob Green, President, Alliant Foodservice, Inc.
Jerilee Gregory, Supervisor, Paw Paw Township
Jim Iacobazzi, Director - Real Estate, Alliant Foodservice, Inc.
Chris Jennings, Account Manager, MJC
Bryan McClure, Chief Development Officer, MJC
Rick Montague, Director - Mid-West Operations, The Minute Maid Company
Greg Nicholas, MEGA Specialist, INBD, MJC
Mike Pohnl, MEGA Specialist, MBD, MJC
Jerry Reshman, Deputy Supervisor, Paw Paw Township
Dan Schafer, Director - Public Affairs, The Minute Maid Company

Call To Order

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 June 19, 1998 Meeting

It was moved, supported, and carried that the minutes from the June 19, 1998 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

*Alliant Foodservice, Incorporated
27000 Wick Road
Taylor, Michigan 48180*

Chairperson Rothwell introduced Al Aceves and Greg Burkart from the MJC who worked on the project and asked Mr. Aceves to do the presentation. Mr. Aceves summarized the key points from the briefing memo on the project.

Project Description

Alliant Foodservice, Incorporated, is a broadline foodservice distribution company servicing the needs of restaurants, hospitals, hotels, and similar industries. It is one of only three food distribution companies with national distribution.

Alliant Foodservice currently operates two facilities and leases a third in Southeast Michigan and currently employs 354 people.

Alliant wants to consolidate and expand its facilities into one 310,000 square foot facility in Lyon Township. Capital investment would include \$21 million for the new facility, \$2.2 million for machinery and equipment, and \$3 million for land. The facility would also have extensive refrigeration and freezer systems. Alliant would be creating 149 new jobs within three years. The average weekly wage is \$750 (\$18.75 hourly). Benefits represent 21 percent of payroll.

The economic analysis prepared by the University of Michigan estimates the facility will generate a total of 149 new jobs in the state by the year 2002. Total state government revenues through the year 2014 would be increased by \$13,962,000 due to the presence of the Alliant Foodservice facility.

Based on figures obtained from the company, the cost disadvantage for Alliant to establish its new manufacturing facility in Lyon Township, Michigan, rather than Cleveland, Ohio, ranges from approximately \$2,579,992 to \$27,119,229 annually over the life of the incentive. The cost differential is primarily due to building costs of \$21,072,237 in the first year. Local assistance will be in the form of infrastructure improvements valued at \$3,600,000. The company would not consider locating in Michigan without the MEGA tax credit to offset wage and tax differentials.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 149 net new jobs.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the Alliant Foodservice, Inc. project to the full Board. He stated that these appeared to be excellent jobs which would provide added diversity to the automobile industry in Michigan. Mr. Porteous remarked that this project had generated a considerable amount of discussion from the Executive Committee and added that he had questioned whether the company would really go to Cleveland if MEGA did not award tax credits until he heard from the company representatives. He asked the company's representatives to share their comments with the full Board.

Mr. Iacobazzi spoke first on behalf of the company. He indicated that there is a financial gap between locating in Cleveland or Michigan which needs to be closed in order for the project to locate in Michigan. The gap is largely due to the fact that Alliant has a building in Cleveland that is only seven years old and is currently underutilized. Consolidating activities in Michigan would require construction of a new building adding significantly to the costs.

Mr. Green, also with Alliant, agreed that from a financial viewpoint it would be better to locate the project at the company's current facility in Cleveland. However, strategically, the company wants to position itself to be number one or two in its industry and the only way that it can be done is if it has a significant presence in Michigan. He further stated that it would be easier to sell Alliant's accounting/financial people on a Michigan location if the state was willing to offset some of the additional costs to the company.

Paw Paw Township will be applying for up to \$450,000 in Community Development Block Grant funds to provide needed utility upgrades to accommodate this new production facility. Local assistance in the form of a 50 percent property tax abatement will be offered to Minute Maid.

The Minute Maid Company has several operations in the United States that could be used for this expansion. Waco, Texas, offers an excellent alternative with lower wages and attractive incentives. Without a MEGA credit, the company would choose to locate this new production facility in Texas.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 150 net new jobs.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that the project had received a very positive review from the Executive Committee. Mr. Porteous started by stating how important local community support is to a project and that, in this case, the local community had committed to provide the maximum tax abatement allowed. He also acknowledged that The Coca-Cola Company, with this project, was making a significant investment in and commitment to the community and the state of Michigan.

Mr. Porteous went on to explain that, due to its size, the Committee recognized that Coca-Cola had many options of where to locate this project. He further explained that plants within a company compete amongst themselves for new product lines. He stated that adding a new product line was critical to the long-term success and viability of any production facility so that it did not become obsolete.

Chairperson Rothwell asked for discussion from the Board. Mr. McCormack asked whether the raw product used at the Paw Paw facility came from the local area. A representative of the company answered that many of the ingredients were based on national contracts. However, the company does use many local suppliers for construction, trucking, and miscellaneous supplies used for the packaging of its products.

Mr. Porteous asked what products were produced at the Paw Paw facility and what the new product would be. Again, a representative of the company responded that the current product line consisted of beverages in various sizes and types of containers. He declined to describe the new product as it had not yet been made public.

There were no further questions from the Board so it was moved, supported, and carried that Resolution 1998-012 awarding tax credits to The Coca-Cola Company be adopted.

Ms. Lannoye excused herself from the meeting at 10:45 due to other obligations.

National TechTeam, Inc. - Amending Resolution

Jim Donaldson presented the National TechTeam amendment. The National TechTeam project had been delayed by fluctuations in the company's growth. The Company is now approaching the Board to ask for an extension of its Anniversary Date and to increase the number of jobs on which the Company may earn a MEGA tax credit.

Mr. Donaldson stated that the project continued to have the support of the local community. Furthermore, the additional jobs for which the company is requesting eligibility for MEGA tax credit would generate in excess of \$11 million in payroll over the life of the credit at a MEGA cost of approximately \$250,000. Finally, the company still had the option of locating the new call center in another state.

Mr. Porteous spoke on behalf of the Executive Committee. He stated that the Committee had questioned whether the company would lose its entire MEGA tax credit previously awarded if the Board did not approve extending the Anniversary Date. He also said that such changes were significant to the Committee as it did not want companies routinely coming back to the Board requesting changes to the tax credit awarded. Mr. Porteous then stated that, had the company asked for the later Anniversary Date and additional jobs in its original request, the MEGA would have granted a credit based upon that request. Therefore, the Executive Committee thought the request to amend the original resolution was reasonable and was recommending approval of the amendment.

Mr. Rothwell reviewed the significance of the Anniversary Date for the Board's information, explaining that if a company did not meet the necessary criteria by the Anniversary Date, the company would not be able to turn the credit on and would, therefore, never qualify for a MEGA credit. After a company has met the Anniversary Date criteria and the credit has been turned on, the company may not always qualify in subsequent years for a tax credit, but would not be permanently excluded from the program.

Mr. Rothwell then reiterated the two issues that the National TechTeam amendment would address, which were changing the Anniversary Date from October 31, 1998 to March 31, 1999 and increasing the number of jobs eligible for the credit from 218 to 300. Mr. Porteous asked whether the Board had done such an amendment before and the response was that the Board had amended Anniversary Dates before.

There being no further questions from the Board, it was moved, supported, and carried that Resolution 1998-013 to authorize changing the Anniversary Date for the project to March 31, 1999 and to increase the maximum number of jobs to which the credit applies to 300 instead of 218 be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:50 a.m.