

## Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Olds Plaza Building, 2nd Floor, Cabinet Room, 111 South Capital Avenue, Lansing, Michigan on July 26, 1995 at 11:30 a.m.

### Members Present:

Doug Rothwell, Chairperson  
Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached)  
Nick Khouri (acting for and on behalf of Douglas Roberts, authorization attached)  
William LaMothe  
John McCormack  
Elizabeth McDermott  
Mark Murray  
David Porteous

### Members Absent:

None.

### Others Present:

Al Aceves, Michigan Jobs Commission  
Karen Ammarman, Michigan Jobs Commission  
Randall Beaty, A. O. Smith  
Joan Brophy, Wayne County  
James Donaldson, Michigan Jobs Commission  
Randall E. Herbick, A. O. Smith  
Mike Hedge, Hedge & Co., Inc.  
Mike Lautenbach, A. O. Smith  
Sam Luavoli, A. O. Smith  
Kathleen Keen McCarthy, Plymouth Township  
Catherine McClary, Senate Democratic Staff  
Pauline Millichamp, Michigan Jobs Commission  
James Paquet, Michigan Jobs Commission  
Larry Schrauben, Michigan Jobs Commission  
Doug Stites, Michigan Jobs Commission  
Pat Welling, Michigan Jobs Commission

### CALL TO ORDER

The meeting was called to order by Chairperson Rothwell at 11:35 a.m. He thanked the Board for taking time out of their busy schedules to attend the meeting. Because Members McDermott and LaMothe were absent at the first meeting, Chairperson Rothwell asked each member to introduce themselves.

### ELECTION OF VICE CHAIR AND SECRETARY

Chairperson Rothwell stated that the next order of business was to elect a Vice Chairman and Secretary. He stated that the Executive Committee had met last week and supported the nomination of Dave Porteous as Vice Chairman.

It was moved and supported that Dave Porteous be named Vice Chairman of the Michigan Economic Growth Authority. The motion was adopted by a unanimous vote.

Mr. Porteous graciously accepted the appointment.

Chairperson Rothwell stated that given the nature of the duties of the Secretary, he would like to appoint Jim Paquet, the lead staff person for MEGA, for the position of Secretary to the MEGA Board.

It was moved and supported that Mr. Paquet be named Secretary to the Michigan Economic Growth Authority. The motion was adopted by a unanimous vote.

Mr. Paquet was pleased to accept the appointment.

### PUBLIC COMMENT

None.

### ACTION ITEMS

A. O. Smith Corporation - Automotive Products  
Automotive Products Division  
38900 Hills Tech Drive  
Farmington Hills, MI 48331-3430

Chairman Rothwell gave a brief summary analysis of the impact of the proposed expansion of the Automotive Products Division of A. O. Smith Corporation to Plymouth Township, Michigan. A. O. Smith currently has 60 employees in Michigan who are engaged in administration and sales functions.

Total Jobs Created	870 Jobs
Direct	247 Jobs
Indirect	623 Jobs
Net Positive State Revenue Impact	\$25,678,000
Revenue Foregone	\$3,974,000
Revenue Gain	\$29,652,000
Average Wage	\$713/week
Personal Income Generated Over Life of MEGA Agreement	\$370,657,000

The Chairman then introduced Jim Donaldson of the Michigan Jobs Commission.

Mr. Donaldson first introduced Ms. Kathleen Keen McCarthy, Plymouth Township Supervisor. He then introduced Pauline Millichamp of the Michigan Jobs Commission and asked her to introduce the principles of A. O. Smith Corporation to the Board.

She introduced Mr. Sam Luavoli, President of the Automotive Products Group; Mr. Mike Lautenbach, Finance Manager, Automotive Products Group; and Mr. Randall Beaty, Executive Vice President, Automotive Products Group.

She then asked Mr. Luavoli to introduce the rest of his staff.

He introduced Mike Hedge, Hedge & Co.; Neal Zipser, Hedge & Co.; and Randy Herbick, A. O. Smith Corporation.

Mr. Donaldson presented a summary of the proposed project.

### Project Description

The Automotive Products Division of A. O. Smith Corporation is considering Plymouth Township, Michigan and Milwaukee, Wisconsin for a manufacturing operation. The facility would manufacture structural products primarily for the automotive industry. This operation will require the company to invest approximately \$65 million, which will create 247 new jobs over three years. The average weekly wage at this facility is approximately \$713. Total payroll at full production is estimated to be \$9.2 million annually.

### Benefit to State

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 870 jobs in the state by the year 2006. Total state government revenues

through the year 2006, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$25,678,000 due to the presence of the A. O. Smith Corporation facility.

This project would create a total of \$371 million (1995 dollars) in personal income by the year 2006 for Michigan residents. It would also contribute more than \$6 million to local governments and schools through property tax payments over 12 years.

### Cost Analysis

As part of its site decision process, the company undertook a comprehensive cost analysis between Plymouth Township, Michigan and a competitive site in Milwaukee, Wisconsin. Based on figures obtained from the company, the annual cost disadvantage for A. O. Smith Corporation to establish their manufacturing facility in Plymouth Township rather than Milwaukee ranges from \$500,000 to \$950,000 over the term of the incentive. The cost differential is primarily attributable to lease payments on the facility and one time infrastructure costs for the property in Plymouth Township. The company has capacity at its Milwaukee plant to absorb this project without the additional occupancy costs projected at Plymouth Township.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to off-set the variance in cost and to provide an incentive to facilitate this investment.

### Local Financial Assistance

Local assistance includes a 50 percent property tax abatement valued at nearly \$6 million over twelve years.

### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 10 years for up to 247 new employees.

Chairperson Rothwell stated that the revenue to be foregone by the State is approximately \$4 million dollars. He opened the floor for questions.

Mr. McCormack asked if any of the 247 direct jobs would be relocated from Wisconsin to Michigan. Mr. Donaldson deferred to Mr. Luavoli, President of A. O. Smith Automotive Products Group. Mr. Luavoli stated that some upper management may be transferred but that the vast majority of the new jobs would be locals.

Mr. LaMothe felt that 623 indirect jobs was a high estimate, a high multiple of direct jobs. Mr. Donaldson explained that the formula used to compute indirect jobs takes the type of industry and SIC code into consideration. The type of operation A. O. Smith was creating involved high value added. Chairperson Rothwell added that the multiple of indirect jobs varies greatly depending on

the type of industry. He cited previous MEGA projects indicating that Haworth has more indirect jobs created than Walden Books due to the types of business and SIC codes applicable to those businesses.

There were no further questions.

Chairman Rothwell stated that the Executive Committee met on July 21, 1995 and recommends an Employment Credit of 100% for 10 consecutive tax years for up to 247 qualified new jobs.

It was moved and supported that Resolution 1995-007 awarding tax credits to A. O. Smith Corporation be adopted.

**ADOPTED:**

**AYES:** Doug Rothwell, Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Nick Khouri (acting for and on behalf of Douglas Roberts, authorization attached), William LaMothe, John McCormack, Elizabeth McDermott, Mark Murray, David Porteous

**NAYS:** None.

**ADOPTION OF MINUTES FROM THE APRIL 20, 1995 MEETING**

It was moved, supported and carried that the Minutes from the April 20, 1995 meeting be adopted.

**NEXT MEETING**

Chairperson Rothwell stated that the next meeting is scheduled for the afternoon of August 17, 1995 at a time to be announced. He further stated that the next meeting of the Executive Committee to discuss new proposals is being scheduled for the second week of August, possibly August 8, 1995.

Mr. Porteous then asked to be heard.

Mr. Porteous explained that he is lawyer who works with business and industry on a regular basis in his law practice and that he is extremely impressed by staff's expertise, toughness, and efficiency in working with the companies applying for this program. He noted that this was not a cookie-cutter approach, that each of the deals has been different, and that the ability to evaluate and respond appropriately to each request was an art. He expressed his appreciation to Chairman Rothwell and the staff.

At this time, Chairperson Rothwell acknowledged Mr. Porteous contribution to the process and also thanked Pauline Millichamp and Al Aceves for their hard work in bringing the A. O. Smith proposal to the MEGA Board.

Chairperson Rothwell stated that nearly 1,400 direct jobs have been created to date through the MEGA program.

### ADJOURNMENT

The meeting was adjourned at 11:55 a.m.