

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 August 11, 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
Nancy Duncan (acting for and on behalf of Janet E. Phipps)
Mark Haas (acting for and on behalf of Douglas Roberts)

Members Absent:

None

Others Present:

Greg Burkart, Director, International and National Business Development, Michigan Jobs Commission (MJC)
Mark Calabrese, Intern, Porteous and White, P.C.
Daniel Carleton, Controller, P & A Industries, Inc.
Linda Dankoff, MEGA Specialist, Michigan Business Development (MBD), MJC
Jim Donaldson, Deputy Director, MBD, MJC
Cristine Dreese, Secretary, MJC
James Knost, Director of Finance & Operations Analysis, P & A Industries, Inc.
Bryan McClure, Chief Development Officer, MJC
William P. Morris, President, Monroe County Industrial Development Corporation
Jim Paquet, Secretary to the MEGA Board, MJC
Sante Perrelli, Assistant Attorney General, Michigan Attorney General's Office
Mike Pohnl, MEGA Specialist, MBD, MJC
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
Susan Shafer, Communications Director, MJC

Call To Order

The meeting was called to order by Chairperson Rothwell at 10:05 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 July 14, 1998 Meeting

It was moved, supported, and carried that the minutes from the July 14, 1998 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***P & A Industries, Inc.
523 Detroit Avenue
Monroe, Michigan 48162***

Chairperson Rothwell introduced Jim Donaldson from the MJC and asked him to give the presentation. Mr. Donaldson summarized the key points from the briefing memo on the project.

Project Description

P & A Industries, Inc., is a manufacturer of metal stampings and assemblies. The corporation was established in 1956 in Monroe, Michigan and is headquartered there.

Due to increased sales, the company is required to expand and relocate its corporate headquarters. The current facility, which was designed for manufacturing operations, does not meet the company's current or future needs. They have run out of room and the site is landlocked.

The company proposes to build a new 60,000 square foot corporate headquarters, research and development, and prototyping facility in Monroe Township, Michigan, or Toledo, Ohio. If the company expands in Michigan, it would retain the company's 65 current workers, as well as create up to 130 new professional, technical, engineering, and clerical positions within the next three years. The average weekly wage of these jobs would be \$689.

Based on figures obtained from the company, the cost disadvantage for P & A Industries, Inc., to establish its manufacturing facility in Monroe Township, Michigan, rather than Toledo, Ohio, is approximately six million dollars, attributable to land, building, and site costs in the first year. Thereafter, costs are approximately \$155,000 a year higher in Michigan due to property taxes and transportation costs.

The State of Michigan will provide P & A Industries, Inc., with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$210,742 over the term of the incentive.

Monroe Township will provide a 50 percent property tax abatement for a period of twelve years worth approximately \$451,778. In addition, the township has agreed to waive water and sewer hookup fees, saving the company approximately \$30,000. The City of Monroe has approved transfer of the company's current 65 workers to Monroe Township.

Without the assistance offered by the MEGA program, P & A Industries, Inc., would not expand their existing facility in Michigan.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 75 percent for a period of 15 years for up to 130 net new jobs and a business activity credit of 75 percent for a period of 4 years.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that the project was being forwarded to the full Board without a recommendation by the Executive Committee. He stated that the first issue that the Executive Committee discussed was the need for the city, township, and county to resolve the sensitive issue of whether these jobs could be transferred. He congratulated the local communities for all of their efforts.

The next issue the Executive Committee discussed was the cost of the project locating in Monroe versus Ohio. Because the company would spend only a fraction of the cost if they located the headquarters in Ohio rather than in Michigan, the Executive Committee asked that the company articulate the reasons it was considering Michigan to the full Board. He explained that the lack of a committee recommendation was not a negative, but was out of recognition of the need for further information that would clarify the cost issues.

Daniel Carleton, P & A's Controller reported that they had worked on the project for 14 months. Locating the proposed building in the City of Monroe wasn't working out. The site was not right for their needs. He stated that the company had located a site in Monroe Township that was suitable. Expansion to that site would require construction of a new 60,000 square foot facility at a cost of approximately \$6 million. Locating in Toledo would involve moving into an existing building at a cost

of about \$2.5 million. An addition, costing another \$1.5 million would be required. If the company located in Toledo, it would not centralize its engineering operations, and a prototyping facility would need to be constructed near one of its plants in Findlay, Ohio.

Member Haas asked whether the cost of the project, comparable to what was planned in Michigan, wouldn't be closer to \$5.5 million in Ohio. Mr. Carleton replied affirmatively. He added, that although Ohio was cheaper in the short run, it did not allow construction of a world class corporate headquarters, which would be important in the next five years as the company entered international markets. The company also felt that locating its engineering and prototyping with the headquarters had advantages. Mr. Carleton stated that although P & A was a Michigan company, its expansion since the early 80's had been in Ohio, because it was cheaper to do business there. With the current project, the MEGA credit had leveled the playing field giving the company a real choice.

Vice Chairperson Porteous thanked Mr. Carleton and said that his presentation illustrated the importance of having company officials speak to the Board on a proposed project and to address any unanswered questions the Board members might have. Mr. Porteous stated that it was obvious to him, after hearing from the company, that Michigan has lost a good portion of this company, including all of its manufacturing employees, to neighboring states in the past. He added that now, with the MEGA tax credit, Michigan had the opportunity to compete for this new world headquarters. He indicated that the presentation had resolved the concerns he had about the apparent \$6 million cost differential.

Chairperson Rothwell asked if there were any further questions from the Board. There were no further questions. Board Member McCormack added that he thought it was very important to keep any corporate headquarters project here in Michigan, especially in smaller communities where a company headquarters typically has a major economic impact.

It was moved, supported, and carried that Resolution 1998-014 awarding tax credits to P & A Industries, Inc. be adopted.

Alsons Corporation - Amending Resolution

Jim Paquet presented the Alsons Corporation amendment. He explained that on February 19, 1998, the MEGA awarded a tax credit to Alsons Corporation by Resolution 1998-001. The original Resolution adopted by the Board erroneously authorized an Employment Credit to Alsons Corporation. The materials presented to the MEGA Board and the minutes of the Board's discussion, reflect that it was intended that a Business Activity Credit be awarded to the company.

Chairperson Rothwell asked if there were any questions from the Board. There were no questions. Resolution 1998-015 was moved, supported, and carried, authorizing the staff of the MEGA to execute a written Agreement with Alsons Corporation awarding a Business Activity Credit, rather than an Employment Credit.

Vice Chairperson Porteous thanked the Attorney General's staff for being at the Board meeting and recommended that if any of the MEGA Board members had any legal issues or questions, not to hesitate to direct them to the Attorney General's staff.

The meeting was adjourned by Chairperson Rothwell at 10:40 a.m.