

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on August 13, 2002 at 10:00 a.m.

### Members Present

Beth Chappell (by telephone)  
Craig DeNooyer  
Sarah Deson-Fried  
Jackie Shinn (acting for and on behalf of Gregory Rosine, authorization attached)  
Mark Haas (acting for and on behalf of Doug Roberts, authorization attached)  
Doug Rothwell  
Tim Ward

### Members Absent

Duane Berger

### Others Present

Deepak Ahuja, AutoAlliance  
Karen Ammarman, MEGA, MEDC  
Rob Clary, State and Local Tax Consultant, Ford  
Jim Donaldson, Michigan Business Dev., MEDC  
Richard Jones, Mayor of Flat Rock  
Carol Knobloch Johns, MEDC  
Paul Krepps, MEDC  
Karen Lee, MEDC  
Laurence H. Lenz, Jr., Exec. V.P., Forest Health Services LLC  
Ed Lewis, Manager Public Affairs, Ford  
Mark Morante, Vice President, Bus. Finance & Adv., MEDC  
Jim Paquet, Secretary to MEGA Board  
Mike Pohnl, MEDC  
Michael Psarouthakis, Asst. V.P. of Finance, Forest Health Services LLC  
Tom Schimpf, Attorney General's Office  
Phil Spender, President, AutoAlliance

### Call to Order

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

### Approval of Minutes from July 9, 2002

It was moved, supported and carried that the minutes from the July 9, 2002 meeting be adopted.

## Public Comment

There was no public comment.

## ACTION ITEM

*AutoAlliance International, Inc.  
One International Drive  
Flat Rock, Michigan*

Jim Donaldson briefly outlined the project before introducing Phil Spender, President of AutoAlliance International. Mr. Spender presented the project to the board.

AutoAlliance International (AAI) is a joint venture between Ford Motor Company and Mazda Motors of America. The manufacturing facility at Flat Rock, Michigan that is managed by AAI has produced the Mazda 626 and Mercury Cougar.

AAI intends to bring two new products to either the Flat Rock Facility or to another location in North America. The project will require an investment of approximately \$644 million. AAI proposes to add new machinery and equipment to the Flat Rock assembly facility. This project will retain up to 1,961 jobs at launch and up to 3,350 total employees, depending on the demand for vehicles. Average weekly wage for these jobs will be \$1,030 with a comprehensive benefit package.

Jim Donaldson continued the presentation. It is estimated that this facility will generate a total of 9,673 jobs in the state by the year 2023. Total state government revenues through the year 2023 would be increased by almost \$759 million due to the presence of this facility.

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Flat Rock and an out of state facility. Based on figures obtained from the company, the cost disadvantage for AAI to locate this expansion in Michigan amounts to approximately \$11 million annually. The major factors in this differential are lower employee costs and lower taxes in the competing location.

The state will offer a 100 percent abatement of the six-mill State Education Tax for the same term as the local property tax abatement. This abatement is estimated to be worth up to \$6.7 million. The local tax abatement, already approved by the City of Flat Rock, could be worth up to \$31 million over 12 years.

AAI is faced with significantly higher tax and employee costs to produce products at the site in Flat Rock. In addition, with the current competitiveness of the American automotive market, the company must contain and reduce operating costs at this facility to justify further expansion. The MEGA tax credit is needed to encourage this business investment in Michigan.

## Recommendation

The Michigan Economic Development Corporation recommends an employment credit of 70 percent for up to 3,350 retained or new employees for a period of 20 years.

## Board Discussion

Tim Ward gave the report of the Executive Committee recommending that the requested MEGA tax credit be awarded. He noted that the project involved both the retention of existing jobs and the possibility of adding new jobs in Flat Rock

Tom Schimpf explained that the requested tax credit was for a single project, at a single site, but for two types of jobs. The retention portion of the credit will be for up to 1,961 retained employees, the number of jobs the Company currently has at the facility. The Company would also be eligible for a standard credit for up to 1,389 new jobs, if they were created and met the criteria for a standard MEGA credit. This project will be the first which provides a credit for both retention and creation of new jobs. The Company cannot claim a credit on the new jobs, i.e., the standard MEGA portion, unless it maintains the 1,961 retained jobs.

Doug Rothwell clarified that the recommended credit is 70% for both the retained jobs and the new jobs added at the site.

Jackie Shinn expressed the support of the Michigan Department of Transportation for this expansion project in Flat Rock.

Chairman Rothwell added that the MEDC is excited about this expansion project in the City of Flat Rock. In the past, there have been concerns about this struggling facility and the effect on the community.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-27 awarding a MEGA tax credit to AutoAlliance International, Inc. was adopted.

## ACTION ITEM

*Tower Automotive  
5211 Cascade Road S.E., Suite 300  
Grand Rapids, Michigan 49546*

Jim Paquet explained the request made by the company to transfer the MEGA tax credit, due to the recent reorganization at Tower Automotive Products Company, Inc.

In July of 1995, the MEGA authorized an Employment Credit of 100 percent for ten years to A.O. Smith Corporation to build a manufacturing facility in Plymouth Township

to assemble automotive components. At that time, the company projected adding 247 jobs over a three-year period.

Subsequent to the construction of the manufacturing facility, Tower Automotive Products Company, Inc acquired all of the assets of A. O. Smith. The MEGA Employment Credit was transferred to Tower Automotive Products, Inc. at the November 18, 1997 MEGA board meeting. At that time, the base employment level was adjusted to include Tower Automotive jobs.

Tower Automotive has continued to operate the Plymouth facility and, as of its 12-31-00 Certificate Application, it had created 247 jobs paying in excess of the \$713 average weekly wage required by the Agreement.

In January 2001, Tower Automotive Products, Inc. spun out the Plymouth facility and employees into Tower Automotive Plymouth, Inc. for a variety of business reasons.

Tower Automotive Products, Inc. has requested the transfer of its MEGA Tax Credit to Tower Automotive Plymouth, Inc. so that the new entity may receive the benefit of the credit. No changes in the terms of the credit are needed in connection with the transfer.

### **Recommendation**

Staff recommends that the MEGA agree to the transfer of the Tower Automotive Products, Inc. credit to Tower Automotive Plymouth, Inc. effective January 1, 2001 to allow Tower Automotive Plymouth to take the credit in its 2001 tax year.

### **Board Discussion**

There was no further discussion. A motion was made and supported and Resolution 2002-28, transferring the MEGA tax credit to Tower Automotive Plymouth, Inc. effective January 1, 2001, was adopted.

### **ACTION ITEM**

*Forest Health Services LLC  
135 South Prospect  
Ypsilanti, Michigan 48198*

In July of 2000, the MEGA approved tax credits for Forest Health Services LLC's (formerly Forest Health Services Corporation) expansion project in Ypsilanti. In the Agreement, Forest Health Services committed to creating at least 75 new jobs by December 31, 2001.

In a letter dated July 1, 2002, the company explained that it had made significant capital expenditures and had created 75 new jobs at the project, paying the average weekly wage required, and maintained its base employment level of 133 by March 31, 2002.

Due to a higher than expected turnover rate in both new employees and base employees, a delay in opening additional hospitals, and a misunderstanding of the new employee and base employee requirements, the company did not meet the Anniversary Date of December 31, 2001. The company has requested a three-month extension of its anniversary date to allow it to qualify for the credit.

### **Recommendation**

Staff recommends that the MEGA agree to amend the Forest Health Services, LLC credit to extend the anniversary date to March 31, 2002, but that the original schedule of the tax years in which the company is eligible for the credit remain unchanged.

### **Board Discussion**

None. A motion was made and supported and Resolution 2002-29, extending the anniversary date for Forest Health Services, LLC to March 31, 2002, was adopted.

The meeting was adjourned at 10:20 a.m.