

Adopted Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 N. Washington Square, Lansing, Michigan on August 13, 1996 at 10:00 a.m.

Members Present:

Doug Rothwell
Doug Roberts
Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached)
William LaMothe
John McCormack
Beth Chappell (via telephone)

Members Absent:

David Porteous
Mark Murray

Others Present:

Al Aceves, MEGA Specialist, Michigan Jobs Commission
Diana Burns, Michigan Jobs Commission
Jim Donaldson, Outstate Regional Director, Michigan Jobs Commission
Bill Morris, Monroe Economic Development Corporation
Mike Pohnl, MEGA Specialist, Michigan Jobs Commission
Larry Schrauben, Acting Secretary to the MEGA Board
Doug Stites, Chief Operating Officer, Michigan Jobs Commission
Lisa Babcock Thomas, Senate Democratic Policy Staff
John Wernet, Attorney General's Office

Call To Order

The meeting was called to order by Mr. Rothwell at 10:13 a.m.

Adoption of the Minutes from the June 11, 1996 Meeting

It was moved, supported, and carried that the Minutes from the June 11, 1996 meeting be adopted.

Public Comment

None

Action Items

Asama Giken Co. Ltd., Transfer of MEGA Credit

Mr. Schrauben reported that subsequent to finalizing the MEGA tax credit agreement, Asama Giken Co. Ltd. and American Honda Motor Co. Inc. formed a new Michigan corporation, Asama Coldwater Manufacturing, Inc. Mr. Schrauben added that Asama Coldwater Manufacturing, Inc. has agreed to the terms and conditions of the tax credit agreement previously issued to Asama Giken under the MEGA.

It was moved, supported, and carried that Resolution 1996-013 approving the limited transfer of the MEGA tax credit from Asama Giken to Asama Coldwater Manufacturing, Inc. be adopted.

ADOPTED:

AYES: Doug Rothwell, Doug Roberts, John McCormack, William LaMothe, Beth Chappell (via telephone), Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached)

NAYS: None

Worthington Industries, Incorporated 1205 Dearborn Drive Columbus, Ohio 43085

Mr. Rothwell introduced Mr. Jim Donaldson of the Michigan Jobs Commission and stated that Mr. Donaldson would be presenting a brief summary of the project.

Mr. Donaldson introduced Mr. Bill Morris representing the Monroe Economic Development Corporation and MJC staff who worked on the project.

History of the Company

Worthington Industries is headquartered in Columbus, Ohio and currently operates 35 facilities in the United States, Europe, and Mexico. Worthington Industries is a leading manufacturer of metal and plastic products. The company's business comprises three segments; processed steel products (70%), custom products (20%) and cast products (10%). The company presently has five operations in Michigan with total employment of approximately 509 employees.

Projection Description

Worthington proposes to build a new 240,000 sq. ft. light-gauge galvanizing facility at a greenfield site located in Frenchtown Township, Monroe County, Michigan or Oregon Ohio (near Toledo). This facility will be a joint venture and will galvanize approximately 450,000 tons of cold-rolled steel coils for automotive applications. If the project goes to Ohio, Michigan will not only lose 110 new jobs, but an additional estimated 223 jobs to be created by the year 2010.

This project will have an investment of approximately \$85 million, which includes building, production, and support equipment. This facility will create 110 new jobs with an average weekly wage of \$728.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Oregon, Ohio and Frenchtown Township, Michigan. Based on figures obtained from the company, the cost disadvantage for Worthington Industries to establish its manufacturing facility in Frenchtown Township, Michigan rather than Oregon, Ohio ranges from approximately \$663,000 to \$1,478,012, over the term of the incentive. The cost differential is primarily attributable to corporate taxes, real and personal property taxes and electrical costs.

Benefit to State

According to the economic analysis done by the University of Michigan, staff estimates this facility will generate a total of 333 new jobs in the State by the year 2010. Total State government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs and adjusted for inflation would be increased by \$9,680,000 (1996 dollars) due to the presence of the Worthington Industries facility.

Staff Recommendation

Staff recommends a MEGA employment credit of 100 percent for a period of 12 years for up to 110 new employees and a business activity credit of 100 percent for a period of 12 years.

Board Members Discussion

Ms. Chappell commented that when the Executive Committee had met to discuss this project, they all agreed that, but for MEGA, Worthington would choose Ohio over Michigan for the new facility.

Mr. Rothwell stated that historically Michigan has been unsuccessful with steel projects but we're hoping that this project will make Michigan more competitive because of its importance to the auto industry.

Mr. McCormack asked Mr. Donaldson how Ohio is able to do special electric rate contracts? Mr. Donaldson responded that Ohio has more flexible rules/guidelines on electrical rates. Special contracts are negotiated with corporations on a regular basis with its public service commission. Mr. Rothwell added that in Michigan there are special public hearings that need to be held before corporations are given any special rate considerations and that these meetings are quite lengthy and corporations usually do not want to go through the maze of paperwork and meetings.

Mr. Rothwell also added that this project is a joint venture between Rouge Steel Company and Worthington Industries, Inc. The MEGA credits will be issued to Worthington with a possible name change in the future. This is similar to the Asama Giken transfer of credit approved earlier in the meeting.

It was moved, supported, and carried that Resolution 1996-014 awarding tax credits to Worthington Industries Inc. be adopted.

ADOPTED:

AYES: Doug Rothwell, Doug Roberts, Beth Chappell (via phone), John McCormack, William LaMothe, Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached)

NAYS: None

Mr. Rothwell reported at least one, possibly two deals, will be ready for the September 10th meeting. Staff will keep the Board informed as the September meeting gets closer.

Mr. LaMothe stated he thought the operation of MEGA could be frustrating in competing with other states. He suggested that a cooperative agreement be set up with the Great Lakes states -- concentrating efforts on economic development within the midwest and stop trying to out bid neighboring states. We should come up with a strategy for the future with recommendations to the Governor and Legislature on how to deal with this. Mr.

Rothwell indicated that MEGA is in response to programs that exist in Ohio, Indiana, Kentucky and other states. Ohio does it, so Michigan does it. Mr. Rothwell stated he is attending the State Association of Economic Developer's meeting to make a genuine effort to have the states "lay down their arms". Mr. Rothwell stated that Michigan will be lucky to do twenty MEGA deals this year, whereas, Ohio used their Jobs Tax Credit Program 625 times last year. However, Mr. Rothwell indicated that Michigan does not want to use the program the same way Ohio does.

Mr. McCormack asked about growth in Ohio? Mr. Rothwell reported that Ohio was number one in the nation for the last three years in job creation. Michigan went from #25 to #7 last year.

Mr. Morris thanked the Board for approving the Worthington Industries, Inc. MEGA tax credits.

Adjourned at 10:35 a.m.