

## ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on September 11, 2002 at 10:00 a.m.

### Members Present

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

### Members Absent

Duane Berger  
Doug Rothwell

### Others Present

Karen Ammarman, MEGA, MEDC  
Peter Anastor, MEGA, MEDC  
Amy Banninga, MEDC  
Kathy Blake, Sr. Vice President, Business Development, MEDC  
Greg Burkart, Ernst & Young  
Candace Butler, Project Manager, General Motors  
Linda Dankoff, MEGA, MEDC  
Mark Deremo, Director, Marketing and Corporate Communication, Universal Forest  
Jim Donaldson, Michigan Business Dev., MEDC  
Edward Evans, Veridian  
Frank Ferro, MEDC  
Kirk Fisher, Tax Manager, Lear  
Jay Friedman, Controller, DELMIA  
Sydney Gizel, Operations, L & W  
Carol Knobloch Johns, MEDC  
Maureen Krauss, Oakland County  
Paul Krepps, MEDC  
Chris Lee, General Motors  
Peggy McNichol, CPA, P.C.  
Pauline Millichamp, MEDC  
Mark Morante, Vice President, Bus. Finance & Adv., MEDC  
William P. Morris, President, Monroe County Industrial Development Corp.  
Nicole Nystrom, Dykema Gossett  
Steve Opper, MEDC  
Jim Paquet, Secretary to MEGA Board  
Mike Pohnl, MEDC  
Ed Reed, MEDC

Tim Robinson, Vice President, Washtenaw Development Council  
Jeffrey Sand, MEDC  
Tom Schimpf, Attorney General's Office  
Joe Sproles, Government Relations, General Motors  
Bob Turelli, Veridian

### **Call to Order**

Tim Ward called the meeting to order at 10:05 a.m.

### **Approval of Minutes from August 13, 2002**

It was moved, supported and carried that the minutes from the August 13, 2002 meeting be adopted.

### **Public Comment**

There was no public comment.

### **ACTION ITEM**

*L&W Engineering  
6301 Haggerty Road  
Belleville, Michigan 48111*

Jim Donaldson began by introducing Sydney Gizel, who explained the fabrication process and presented the request for tax credits to the Board.

L&W Engineering intends to relocate and expand its automotive metal tube fabrication and related assembly operations to Summerfield Township (Petersburg), Michigan. The project would relocate the existing tube mill and six employees from Spring Arbor. L&W Engineering would purchase an existing facility consisting of 132,000 square feet on 47 acres. The expansion is expected to generate 200 new jobs that will pay an average weekly wage of \$608.

Total capital investment for the project would be approximately \$18.9 million, including \$2 million for the purchase of the existing building, \$1.5 million for building improvements, and \$15.4 million for new machinery and equipment.

It is estimated that this facility will generate a total of 419 jobs in the state by the year 2014. Total state government revenues through the year 2014, would be increased by \$18.5 million due to the presence of this facility.

As part of the company decision-making process, L&W Engineering compared the costs of the project in Summerfield Township and Terre Haute, Indiana, where building meeting L&W Engineering's needs was available. The major cost gaps being faced by the company include labor, building and property tax costs. The company estimates that labor costs will be nearly \$500,000 per year higher in Michigan when the facility is fully operational. L&W Engineering is also facing higher building costs, as the facility in Indiana is \$250,000 less than the facility in Summerfield Township. In addition, Terre Haute is offering local property tax abatements in Indiana, with 100% abatement in the first year.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for the 200 new employees or up to \$100,000. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$90,000. In addition, the state of Michigan will provide 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$330,600.

Summerfield Township has proposed a 50 percent abatement of the company's building improvements and new personal property for twelve years. The township will also transfer the remaining six years of the original twelve-year abatement on the property. The estimated value of the local abatement is \$999,900. Summerfield Township has scheduled an abatement hearing for September 18, 2002.

### **Recommendation**

The Michigan Economic Development Corporation recommends an eleven-year employment tax credit consisting of 100 percent for the initial ten years and 50 percent for the eleventh year, for up to 200 net new employees.

### **Board Discussion**

Tim Ward gave the report of the Executive Committee emphasizing that the costs are higher to locate this project in Michigan than in Indiana and noting that this is the type of scenario the MEGA was created for. The Executive Committee recommended approval of the requested tax credit contingent on Summerfield Township's approval of the twelve-year fifty percent abatement.

Hearing no further discussion, a motion was made and supported, and Resolution 2002-30 awarding a MEGA tax credit to L & W Engineering was adopted.

## ACTION ITEM

*Universal Forest Products Eastern Division, Inc.  
2801 East Beltline Avenue, NE  
Grand Rapids, Michigan 49525*

Kathy Blake outlined the project and the need for the requested MEGA tax credit, and introduced Mark Deremo from Universal Forest Products, who presented the company's project in detail.

Universal Forest Products Eastern Division is a producer and supplier of premium wood products and structural lumber to the do-it-yourself retail home center, site-build construction, manufactured housing and industrial/agricultural markets. Universal Forest Products is headquartered in Grand Rapids and employs 132, but currently has no manufacturing in Michigan.

Universal Forest Products intends to relocate two manufacturing operations located in Indiana to White Pigeon, Michigan (Mottville Township). The location will be responsible for the manufacturing of premier wood products and structural lumber. The company would purchase an existing facility consisting of four buildings, totaling 204,500 square feet, on 88 acres. The expansion is expected to generate 105 new jobs that will pay an average weekly wage of \$482.

Total capital investment for the project would be approximately \$3.0 million, including \$2.3 million for building costs and \$640,000 for new machinery and equipment.

It is estimated that this facility will generate a total of 159 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$4.6 million due to the presence of this facility.

Universal Forest Products would prefer to consolidate facilities located in Indiana and move to property being considered in Mottville Township. The company, however, also has the option of continuing operations at the current Indiana sites. Remaining in Indiana would save the company \$2.3 million needed for building costs and improvements, and some equipment purchases. The company would also have to spend about \$30,000 per year more in Michigan due to higher property tax and unemployment insurance costs.

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$300 for the 105 new employees or up to \$31,500. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$16,200. In addition, the state of Michigan will provide 50 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$5,500.

Mottville Township approved a 50 percent abatement of the company's new real and personal property for twelve years on August 8, 2002. The estimated value of the local abatement is \$28,000.

### **Recommendation**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 105 net new employees.

### **Board Discussion**

Tim Ward gave the Executive Committee report. The committee noted that the company already has a large presence here, but would be expanding its footprint with a manufacturing facility. The committee recommended awarding the MEGA tax credit.

Craig DeNooyer asked if the \$2.3 million building cost was net of the sale of the company's Indiana facility? Mr. Deremo responded that the facilities in Indiana are leased and, therefore, the \$2.3 million was not net of a sale.

There was no further discussion. A motion was made and supported and Resolution 2002-31, awarding a MEGA tax credit to Universal Forest Products Eastern Division, Inc. was adopted.

### **ACTION ITEM**

*Veridian Systems Division, Inc.  
1400 Key Boulevard  
Arlington, Virginia 22209*

Jim Donaldson introduced Edward Evans from Veridian Systems Division. Mr. Evans explained the nature of the services provided by Veridian Systems Division and the need for the company relocation. Veridian is a leading provider of information-based systems, integrated solutions and services to the U. S. government, specializing in mission-critical national security programs, including the design, development, deployment, operation and protection of vital networks, databases and other information and intelligence systems. The company is at the forefront of U.S. government-funded research, development and application of advanced information and sophisticated sensor technologies for emerging defense and intelligence initiatives. Veridian Systems Division acquired ERIM International of Ann Arbor in 1999. The company currently has 320 full-time employees at its Ann Arbor facility.

Veridian Systems Division needs to relocate and expand its Ann Arbor research and development center in order to accommodate the consolidation and expansion of Pfizer within Ann Arbor. In addition, new customer research programs will require additional facilities.

Jim Donaldson presented the comparisons and potential benefits of the project to the Board. If the project locates in Ypsilanti Township, it will require the investment of \$35.1 million in a new facility and \$3.7 million in machinery and equipment, for a total capital investment of \$38.8 million. Up to 245 new jobs would be created over a five-year period with average weekly wages of \$1,205 as well as a benefit package totaling nearly 25% of wages. Building construction would commence in June 2003 and be complete by September 2004.

It is estimated that this facility will generate a total of 366 jobs in the state by the year 2020. Total state government revenues through the year 2020, would be increased by \$23.5 million due to the presence of this facility.

Because the company has to move and because there is no reason why the company has to stay in Michigan, Veridian Corporation asked the Veridian Systems Division to look around at other states, including Ohio and Virginia for possible relocation. An available campus-style site was found in Lucas County, Ohio that would serve the company well and require minimal up-front capital investment. Also, because this is a vacant facility, move-in could be immediate, thereby freeing up its current Ann Arbor facility sooner for Pfizer. Lease costs at the Ohio facility would be approximately \$900,000 per year lower.

Despite these obstacles, the company would like to remain in the Ann Arbor area due to its ability to work closely with the University of Michigan and its ability to attract and retain qualified personnel. A MEGA credit is needed to help bridge the financial gap between the two possible locations.

On August 26, Ypsilanti Township voted in favor of a 12-year abatement of real and personal property for the project. The value of this abatement is estimated at \$3 million.

### **Recommendation**

The Michigan Economic Development Corporation recommends a Standard employment credit of 100 percent for 16 years and a business activity credit of 100 percent for five years for up to 245 net new jobs.

### **Board Discussion**

The report of the Executive Committee was given by Tim Ward. Tim commented that this project would be retaining jobs as well as creating new jobs. MEGA was necessary to incent the company to locate in Michigan due to the financial attractiveness of locating the project in Ohio. The Executive Committee recommends awarding the requested tax credit.

Craig DeNooyer asked whether the company had estimated how many employees would go to Virginia if the company relocated there. Mr. Evans responded by saying

that the company did not estimate how many employees would make such a move. However, it estimated that 60-70% of its employees would transfer to Ohio if the company moved there.

Hearing no further discussion, a motion was made and supported and Resolution 2002-32, awarding MEGA tax credits to Veridian Systems Division, Inc. was adopted.

### **ACTION ITEM**

*General Motors Corporation  
Orion Assembly  
4555 Giddings Road  
Lake Orion, Michigan 48359*

Kathy Blake began the presentation by introducing Candace Butler, who described the project for the Board. Ms. Butler first introduced Joe Sproles and Chris Lee, and went on to explain the re-investment and expansion that is being proposed by General Motors Corporation in Orion Township.

General Motors Corporation is assessing the possibility of transferring new product lines to the Orion Assembly operation to keep the plant operational. The products currently produced at the facility will build out in 2004, rendering the plant idle unless alternative product lines can be transferred to the facility.

The project would allocate additional automotive final assembly operations to the facility, necessitating an investment of up to \$408 million and the retention of up to 2,288 employees. It is anticipated that capital expenditures and the retention of employees would begin in 2004. The retained jobs would pay an average weekly wage of \$927 and a benefit package worth up to 30% of wages.

It is estimated that this facility will retain a total of 9,933 jobs in the state by the year 2022. Total state government revenues through the year 2022, would be maintained by \$827 million due to the presence of this facility.

General Motors Corporation is assessing production plans for all of its manufacturing operations and must pay particular attention to putting production where it can get the lowest costs. While the company would like to see the Orion Assembly operation continue, it is making decisions based on a number of variables, including tooling and production piece costs, available capacity, a successful labor agreement and an incentives plan from state and local government that will enhance the business case and strengthen the company's ability to achieve board approval for the project.

The most cost effective location for the company to add this new production would be at a facility in another Midwest state. Due to the net operating loss status of the company, it is not liable for any income taxes in that location; whereas in Michigan the project

alone creates a SBT liability averaging \$7.6 million a year over the 20-year period. Other savings in the other state include slightly lower wages, lower utility and transportation costs and lower property taxes. When added together, the cost differential totals over \$300 million over a 20-year period. Without the MEGA tax credit and other incentives, this project would not be feasible in Michigan.

The Michigan Economic Development Corporation will recommend up to \$3 million for the funding of needed public road improvements adjacent to the company's site. These improvements will be evaluated by the Michigan Department of Transportation for eligibility and appropriate applications and approvals will be required. The state will also provide a 100 percent abatement of the six-mill State Education Tax to match the length of the local property tax abatement. The estimated value of this abatement is \$5,040,600.

In November of 2001, Orion Township approved an abatement of 50 percent of the real and personal property taxes for a period of 12 years for this project. The estimated value of this abatement is \$17,137,746.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the retention of up to 2,288 jobs for a period of 20 years and a business activity credit of 50 percent for a period of 20 years.

### **Board Discussion**

Tim Ward gave the Executive Committee report. Due to the size of the investment, the number of jobs involved, and a desire to keep this facility competitive within General Motors, the Executive Committee recommends awarding the requested retention credit.

Craig DeNooyer asked about the order of the MEGA Board approving incentives prior to General Motors' Board choosing the site where it will locate certain product work. Kathy Blake responded that, yes, that is the way it works. She said that General Motors collects incentive information for potential locations, evaluates the offers, and chooses a location based on the incentives.

Tom Schimpf explained that the MEGA had approved this project last year and this was really a renewal of that approval although, in order to comply with statutory requirements, it was being presented as a new deal.

Jackie Shinn added that the Michigan Department of Transportation had received applications for assistance with the public road improvements and determined that the plans were eligible for MDOT funding.



Hearing no further discussion, a motion was made and supported and Resolution 2002-33 awarding MEGA tax credits to General Motors Corporation, Orion Assembly Plant was adopted.

### **ACTION ITEM**

*DELMIA Corporation  
5500 New King Street  
Troy, Michigan 48098*

Jim Donaldson introduced Jay Friedman, who explained DELMIA's current operations and presented the proposed expansion in Auburn Hills to the Board. DELMIA is the leading provider of lean digital manufacturing solutions, targeting industry segments where continuous transformation and optimization of the manufacturing process are critical. The company focuses mainly on the development of software that can be used to streamline manufacturing processes. This includes automotive, aerospace, fabrication and assembly, electrical and electronic, consumer goods and shipbuilding. DELMIA currently has 154 employees in Michigan.

DELMIA needs to expand their operations due to space limitations at their current site in Troy. The company would expand their activities by relocating to Auburn Hills, where they would lease 41,200 square feet of an existing building. A site in Columbia, South Carolina is also under consideration. The company would add 41 new jobs in the first year and 111 jobs over three years paying an average weekly wage of \$1,178. The company would also transfer approximately 154 current employees from Troy to the new facility.

Capital investment for the project would total \$9.2 million, including \$8.7 million for capitalized lease costs and building improvements and 500,000 for new machinery and equipment. The company expects the new facility to be operational by the end of this calendar year.

Jim Donaldson continued the presentation.

It is estimated that this facility will generate a total of 328 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$14.7 million due to the presence of this facility.

DELMIA has the option of locating this expansion in Auburn Hills or Columbia, South Carolina. The Columbia location is attractive to the company due to lower wage and benefit costs. This differential could be as much as \$600,000 per year once the project is fully staffed. In addition, the company will have minimal corporate income tax obligations in South Carolina due to the research and development nature of the expansion.

The City of Auburn Hills will provide infrastructure improvements to Butler Road, which is adjacent to the property under consideration by the company. The project will be accelerated by the city due to the location of DELMIA in Auburn Hills. The estimated cost of this project is \$1.9 million.

In addition, the City of Auburn Hills has proposed a 50 percent abatement of the company's new personal property for two years. The estimated value of this local abatement is \$5,200. The tax abatement will be approved during a City Council meeting in November.

### **Recommendation**

The Michigan Economic Development Corporation recommends a High Tech employment credit of 75 percent for ten years for up to 111 net new employees.

### **Board Discussion**

Tim Ward gave the Executive Committee report and discussed the fact that the City of Auburn Hills will be improving Butler Road to facilitate the expansion, and that it intends to grant a two-year tax abatement as well. Tim explained that while the Board could grant the tax credit based upon the improvements to Butler Road, the tax credit agreement would specify that the two-year abatement must be in place before the company can claim a tax credit. The Executive Committee recommends awarding the MEGA tax credit with the contingency noted above.

Sarah Deson-Fried asked why Auburn Hills was only proposing a two-year tax abatement.

Maureen Krauss from Oakland County explained that this is the best support that can be offered based on Auburn Hills' current attraction policy and the type of equipment DELMIA is purchasing. Auburn Hills is intentionally focusing its resources on retaining its companies rather than attracting new ones to the community.

Linda Dankoff added that in addition to the abatement, the city is moving up the date of the planned road improvements, in order to add value to the amount of community support being offered for this project.

Hearing no further discussion, motion was made and supported and Resolution 2002-34 granting a MEGA tax credit to DELMIA Corporation was adopted.

## ACTION ITEM

*Lear Asian OEM Technologies, LLC  
Lear Corporation  
c/o 21557 Telegraph  
Post Office Box 5008  
Southfield, Michigan 48086*

Jim Donaldson introduced Jim Vandenberghe, President of Lear Corporation, who discussed the company's business with Asian manufacturers and the need to accommodate Lear's Asian OEM customers.

Lear Asian OEM Technologies is a new wholly-owned subsidiary of Lear Corporation. In Michigan, the company operates roughly 30 facilities employing nearly 11,000 people. Lear Asian OEM Technologies will design and engineer automotive systems for Lear Corporation's Asian OEM customers. Due to winning several new contracts for upcoming Asian OEM automotive platforms to produce automotive systems, Lear Corporation needs to expand its capabilities and will create a new research and development center to focus on its Asian OEM customer base. The expansion will occur in either Louisville, Kentucky or in Plymouth, Michigan. This facility will initially employ 120 people being transferred from another Lear facility in Dearborn.

If the expansion occurs in Plymouth, it requires an investment of \$5.2 million in lease costs and \$1.3 million in machinery and equipment, for a total capital investment of \$6.5 million. Average weekly wages at the facility will be \$1,530, with a benefit package totaling nearly 30% of wages. The company would move into an existing facility in January 2003, with an expected increase in the number of employees to approximately 150 people over the next five years.

Jim Donaldson continued the presentation.

It is estimated that this facility will generate a total of 203 jobs in the state by the year 2012. Total state government revenues through the year 2012, would be increased by \$3.2 million due to the presence of this facility.

The parent company, Lear Corporation, has the option of locating this expansion in an existing facility in either Plymouth or Louisville, Kentucky. Due to the high concentration of Asian OEM manufacturing facilities in the south, the company is getting some pressure from its customers to locate the research and development facilities nearby. Wages in Kentucky average 10 percent less than in Michigan and the State of Kentucky has offered job creation tax credits that will eliminate corporate taxes in Kentucky.

Despite these pressures, the company would prefer to locate this facility in Michigan due to its past experience in being able to find highly qualified talent in Michigan. Also, the company would like to keep the 120 existing employees, who will become part of

this operation when established. A MEGA tax credit is needed in order to somewhat even out the cost gap between Michigan and Kentucky.

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at between \$65,100 and 111,300. In addition, the Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$300 for each of 150 new employees, for a total of \$45,000.

On September 24, Plymouth Township is expected to approve a 50 percent abatement of the company's new real and personal property taxes for seven years to match the company's lease, with a renewable option for up to 12 years. The estimated value of this local abatement is between \$416,600 and \$712,700.

### **Recommendation**

The Michigan Economic Development Corporation recommends a High Tech employment credit of 100 percent for ten years and a business activity credit of 100 percent for ten years for up to 150 net new jobs.

### **Board Discussion**

Tim Ward gave the report of the Executive Committee. After review and discussion during the Executive Committee meeting, the committee recommends granting the tax credit, contingent on local community support in the form of the proposed tax abatement.

Jim Paquet stated that the resolution in the packets describes the length of the local tax abatement as twelve years. The resolution should say seven years rather than twelve.

Sarah Deson-Fried asked whether the information presented to the Board was based on seven years or twelve years.

Jim Donaldson replied that our figures were based on twelve years and that the financial analysis presented to the Board was through 2012.

Kathy Blake requested further clarification.

Linda Dankoff stated that the company was signing a seven-year lease and that the local tax abatement could not be longer in length than the lease. The company anticipates renewing the lease for five additional years at the expiration of the original seven years, and Plymouth Township also intends to extend the tax abatement for another five years at that time.

Discussion ensued regarding the local community not being legally able to approve an abatement beyond seven years (the length of the lease) and its ability to extend the abatement after seven years for an additional five years.

Hearing no further discussion, motion was made and supported and Resolution 2002-35 granting tax credits to Lear Asian OEM Technologies, LLC was adopted.

Sarah Deson-Fried expressed her concern about the increase in the number of projects coming to the Board without local support in place.

Mark Morante explained the variables that exist; depending on which community we are dealing with, that community's history of granting abatements, the circumstances surrounding the delay in the community support, et cetera. He explained that, with today's projects, the MEDC staff feels comfortable that the communities will come through with the expected abatements so staff was comfortable with bringing them to the Board with the contingencies written into the resolutions.

The meeting was adjourned at 11:10 a.m.



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

DHN ENGLER  
GOVERNOR

DOUGLAS B. ROBERTS  
STATE TREASURER

August 8, 2002

Mr. Douglas Rothwell  
Chair, MEGA  
Michigan Economic Development Corporation  
300 N. Washington Square  
Lansing, MI 48913

Dear Mr. Rothwell:

I hereby designate Matt Hanley, Legislative Liaison, Department of Treasury, to represent me at meetings of the MEGA Board, which I am unable to attend.

Sincerely,

A handwritten signature in black ink, appearing to read "D. Roberts", with a long horizontal stroke extending to the right.

Douglas B. Roberts  
State Treasurer

cc: Matt Hanley

TRANSPORTATION  
COMMISSION

STATE OF MICHIGAN

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DEPARTMENT OF TRANSPORTATION

TRANSPORTATION BUILDING, 425 WEST OTTAWA POST OFFICE BOX 30050, LANSING, MICHIGAN 48909  
PHONE: (517) 373-2090 FAX: (517) 373-0167 WEB SITE: <http://www.mdot.state.mi.us>

GREGORY J. ROSINE, DIRECTOR

January 8, 2001

**TO:** Philip F. Kazmierski, Deputy Director  
Bureau of Urban and Public Transportation

**FROM:** Gregory J. Rosine  
Director

**RE:** Michigan Economic Growth Authority (MEGA) Board

I hereby appoint you to attend and act on my behalf at the MEGA board meetings when I am unable to attend.

I appoint Jackie Shinn to assume these responsibilities in your absence.

A handwritten signature in black ink, appearing to read "Gregory J. Rosine", written over a horizontal line. Below the line, the word "Director" is printed.

Director

cc: Doug Rothwell, Director  
Michigan Economic Development Corporation  
Jackie Shinn