

ADOPTED MINUTES

A rescheduled 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 September 17, 1998 at 10:30 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
Mary Lannoye (acting for and on behalf of Janet E. Phipps)
Mark Hilpert (acting for and on behalf of Douglas Roberts)

Members Absent:

James Garavaglia

Others Present:

Dawn Baetsen, Director, National Business Development, Michigan Jobs Commission (MJC)
Greg Burkart, Director, International and National Business Development, MJC
Jim Donaldson, Deputy Director, Michigan Business Development, MJC
Cristine Dreese, Secretary, MJC
Scott Jones, President, L & W Engineering
Chuck Mason, Manager - Business Retention & Expansion, Lenawee Tomorrow
Greg Nicholas, Account Manager, MJC
Gary Palis, Vice President, L & W Engineering
Jim Paquet, Secretary to the MEGA Board, MJC
Sante J. Perrelli, Assistant Attorney General, Michigan Attorney General's Office
Ed Reed, Account Manager, MJC
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office
Susan Shafer, Communications Director, MJC
Paul Wetter, Reporter, The Daily Telegram

Call To Order

The meeting was called to order by Chairperson Rothwell at 10:35 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 August 11, 1998 Meeting

It was moved, supported, and carried that the minutes from the August 11, 1998 meeting be adopted.

Public Comment

There were no comments from the public.

Action Items

***L & W, Inc.
6301 Haggerty Road
Belleville, Michigan 48111***

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

L & W, Inc., is a manufacturer of automotive metal stampings and welded assemblies that was started in 1973 in Michigan. The company currently employs 1,204 people located in several communities in Michigan: Belleville, Holland, Beaverton, and Redford. It is a privately held company and is a Tier-1 supplier to the Big Three.

L & W, Inc., has just landed a large contract to supply the Toledo Jeep plant with floor pan assemblies for the 2000 model. This contract requires the company to build a new facility. A stipulation from Jeep was that the facility had to be within a 50-mile radius of its Toledo plant to meet just-in-time sequencing demands. The company had intended to build the facility in Delta, Ohio, near Toledo, when originally visited by a Michigan Jobs Commission account manager. The account manager convinced the company to consider Michigan for the facility.

The project involves construction of a new manufacturing facility that could be expanded as other manufacturing contracts are generated. Within a five-year period, the facility would be 330,000 square feet. Total investment over this five-year period in plant and equipment would be \$50,050,000. The company anticipates hiring 90 people within the first operational year, with average weekly wages of \$410 and a fringe benefit package totaling 27 percent of wages. An additional 250 people will be hired during the next five years.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 662 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$25,337,000 (1998 dollars) due to the presence of the L & W, Inc., facility.

Based on figures obtained from the company, the annual cost disadvantage for L & W, Inc., to establish its manufacturing facility in Blissfield, Michigan, rather than Delta, Ohio, ranges from approximately \$200,000 to \$1,400,000 over the term of the incentive. The cost differential is primarily attributable to wage rates for occupations required by the facility being 10-15 percent higher in Michigan and Michigan property and corporate taxes being higher.

The company feels that locating the facility in Blissfield would be beneficial to its other operations in Michigan, and that Michigan customers would also benefit from having the facility here rather than in Ohio. However, without a MEGA credit it will not be economically feasible to locate the facility in Michigan.

The State of Michigan will provide L & W, 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 \$1,257,348 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$700 for up to 340 net new employees for a total of \$238,000. In addition, the State of Michigan will be providing to Blissfield a Community Development Block Grant worth up to \$1,000,000 to provide water, sewer, and road improvements to the company.

The Michigan Jobs Commission will also assist the community in applying for up to \$500,000 in Transportation Economic Development Funds. The Village of Blissfield will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$5,389,318 and will provide the local matching requirements associated with above-referenced infrastructure grants, totaling at least \$100,000.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for years one through twelve and 50 percent for year thirteen for up to 340 net new jobs.

Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the L & W, Inc. project to the full Board. He stated that this was a wonderful potential project for that county and for the State. He added that if it wasn't for the MJC finding out that the company was moving, we would have lost them to Ohio. The project needs to be located within 50 miles of the Jeep plant in Toledo, and although the Michigan location met the company's needs, there was a cost differential. Despite the efforts of the local community, there was still a need for the State to step in and close the gap.

The Executive Committee endorsed the MEGA credit recommended by staff.

Chairperson Rothwell commented that L & W was a classic case of how the MJC retention program works and asked if the representatives from the company wanted to add anything. Scott Jones, the President of L & W Engineering, stated that MJC's timing and the MEGA credit were the two key factors in their decision to stay in Michigan. L & W had already been working on a site plan in Delta, Ohio. Mr. Jones added that Michigan had stepped forward with the MEGA offer and that the company really wanted to stay here in Michigan and that they appreciated the MJC's timeliness and the incentive package that was put together.

Chairperson Rothwell asked if there were any questions from the Board. Board member McCormack asked for an explanation of the Ohio job creation tax credit. Mr. Donaldson responded that the Ohio credit was identical to the personal income tax credit component of the MEGA program.

Chairperson Rothwell asked if there were any further questions from the Board. There being none, it was moved, supported, and carried that Resolution 1998-016 awarding tax credits to L & W, Inc. be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:50 a.m.