

## **ADOPTED MINUTES**

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, Victor Center, 4<sup>th</sup> Floor, 201 N. Washington, Lansing, Michigan on September 20, 2000 at 10:00 a.m.

### **Members Present:**

Beth Chappell (by phone)  
Craig DeNooyer  
Sarah Deson-Fried  
Mary Lannoye (acting for and on behalf of Janet E. Phipps, authorization attached)  
Mark Murray  
Doug Rothwell  
Tim Ward

### **Members Absent:**

James DeSana

### **Others Present:**

Peter Anastor, MEGA, MEDC  
Nancy Bacon, Bekaert ECD Solar  
Edward Cornell, Acuson Corporation  
Karl Dehn, Battle Creek Unlimited  
Jim Donaldson, Vice President, Business Development, MEDC  
Larry Gormezano, MEDC  
Gary Hartwig, Duncan Aviation  
David Jeup, Vice President, Business Development, MEDC  
Jennifer Kopp, Communications, MEDC  
Amy Lane, Crain's Detroit Business  
Terrence Parker, Bekaert ECD Solar Systems  
Jim Paquet, Secretary to the MEGA Board, MEDC  
Al Petro, Acuson Corporation  
David Rock, Acuson Corporation  
Ellen Ross, MEGA, MEDC  
Tom Schimpf, Attorney General  
Donna Shirilla, Washtenaw Development Council  
Vern Taylor, MEDC, Brownfield Development

### **Call to Order**

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

### **Adoption of Minutes from August 21, 2000**

It was moved, supported and carried that the minutes from the August 21, 2000 meeting be adopted.

## Public Comment

There were no comments from the public.

## Action Item

Acuson Corporation  
1393 Shorebird Way  
Mountain View, California 94039-7393

Chairman Rothwell asked David Jeup to present the project noting that the Board had been provided with a substitute Briefing Memo.

David Jeup presented the project to the Board.

Acuson Corporation is the world's largest supplier of ultrasound imaging equipment. It has more than 1900 employees in 18 countries around the world engaged in bringing diagnostic and data management tools to the medical environment. The company currently has 50 employees located in Ann Arbor.

Acuson is planning a satellite engineering and support operations center. The center will be engaged in the writing of high level computer code for image processing and application development, software testing, hardware integration and support services. The activities will require the hiring of up to 156 senior level staff at an average weekly wage of \$1,724 (\$43.10 per hour), and a benefit package worth up to 35 percent of wages.

Capital investment required by the company is estimated at \$6.8 million for building (includes capitalized lease and leasehold improvements) and \$7.8 million for equipment, for a total of \$14.6 million.

The project could begin in October 2000 and occupancy could occur as early as January 2001. The company anticipates 15 new hires in 2001, up to 121 employees by 2002, and to be fully staffed at 156 employees by 2005.

The company is considering locating this expansion in Ann Arbor, Michigan or State College, Pennsylvania. Location near a major medical university is considered crucial to the company's ability to attract the caliber of employees necessary to its success. The project would involve the transfer of up to 120 existing technical and research and development jobs from Mountain View, California. The company estimates that roughly 10 percent of these employees will accept the transfer, requiring extensive recruitment of staff.

It estimated this facility will generate a total of 263 jobs in the state by the year 2005. Net state government revenues through the year 2005, would be increased by \$5,772,000 (2000 dollars) due to the presence of this facility.

Based on information obtained from the company, it estimates savings of approximately \$450,000 per year by leasing an office building in State College rather than Ann Arbor.

The state will offer employee recruitment assistance of \$50,000 and job training assistance of \$1,250 for each of up to 156 employees, or a total of \$195,000.

The City of Ann Arbor will be providing discounted parking spaces valued at \$400,000 for one year. In addition, Downtown Development Authority is relocating parking permits to allow Acuson employees to park closer to the company's facility.

### **Recommendation**

The Michigan Economic Development Corporation recommends a high-tech MEGA employment credit of 25 percent for up to 156 net new jobs for six years.

### **Board Discussion**

Tim Ward presented the report of the Executive Committee. In addition to the building cost differential, the benefit of attracting a software company that would help diversify the Michigan economy and the "marriage" between the company's product and the Life Science corridor, were the basis for the Committees support.

Mark Murray questioned whether State College, Pennsylvania was a more attractive location than the Ann Arbor location. Doug Rothwell explained that the real issue was not between Ann Arbor and State College as much as moving from California. The MEGA was used to offset the lease cost differential with State College location.

Mark Murray asked for the estimate of the Employment Credit. Doug Rothwell explained the cost to be \$773,000 over the life of the credit.

Craig DeNooyer questioned David Jeup's comfort level with the "But For" language. David responded that with a cost differential of 2.7 million over 6 years, he was comfortable.

Mark Murray asked if the "But For" applied on the High-Tech credits. Jim Paquet responded that the company did not have to certify that "but for" the credit, it would not locate in Michigan, but that the credit still had to address competitive disadvantages with another state.

Acuson representatives stated they had operations in State College and their choice consisted of seeking a different state to expand in, or expansion of the existing facilities.

Craig DeNooyer asked why they would be moving from California. It was explained that growth in the Silicon Valley was extremely difficult and that a satellite facility in which to grow was an attractive option. It currently has a relationship with the University of

Michigan/College of Engineering and Medical School and Ann Arbor seemed to be the best choice.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-029 awarding tax credits to Acuson Corporation be adopted.

### Action Item

Bekaert ECD Solar Systems, LLC  
1100 West Maple Road  
Troy, Michigan 48084

Jim Donaldson presented the project to the Board.

Bekaert EDC Solar Systems, LLC is a joint venture between United Solar and Bekaert Corporation. The joint venture will be 40 percent owned by United Solar and 60 percent owned by Bekaert. United Solar, a solar cell manufacturing company based in Troy, is itself a joint venture of Energy Conversion Devices (ECD) and Bekaert Corporation. ECD is involved in the synthesis of materials and the development of production technology for alternative energy sources. United Solar and ECD combined have 377 employees in Michigan. Bekaert Corporation is a leading manufacturer of steel wire, steel cord and advanced coating materials. Bekaert Corporation currently has 75 Michigan employees.

Due to an increase in demand, the company seeks to establish a new manufacturing plant to produce its solar electric cells, modules and packaged solar-powered systems. Systems are used for village electrification, lighting, communication, water pumping, fence charging, cathode protection in oil and gas pipelines, traffic signals, transportation and other specialty applications. The plant would produce enough of solar cells to generate approximately 25 MW of energy per year.

The project would involve a capital investment of \$12.1 million in building costs (capitalized lease and leasehold improvements) and \$41.3 million in machinery and equipment, for a total of \$63.4 million. The company expects up to 272 people will be employed at the facility within a five-year period. Average weekly wages will be \$809 (\$20.22 per hour) with a benefit package worth approximately 20 percent of this weekly wage average.

Equipment fabrication for the new facility is scheduled to begin in October 2000. The building and equipment will be operational in January 2002 and production is expected to begin in April 2002.

We estimate this facility will generate a total of 646 jobs in the state by the year 2016. Net state government revenues through the year 2016, would be increased by \$29,694,000 (2000 dollars) due to the project.

Based on figures obtained from the company, the cost disadvantage for Bekaert ECD Solar Systems, LLC to locate the manufacturing facility in Auburn Hills rather than Virginia totals \$18 million over a 20-year period. This differential is due to a Virginia incentive program for which the company is eligible.

The state will provide job training assistance of \$1,000 for up to 272 new hires, for a total of \$272,000. In addition, the state will grant the company an abatement of 100 percent of the 6-mill State Education Tax for a six-year period, estimated to be worth up to \$600,617.

The City of Auburn Hills will provide the company with an abatement of 50 percent of personal property taxes for a six-year period. The estimated value of this local abatement is \$2,057,368.

The company has cited several reasons for locating in Michigan. First, ECD is headquartered in Michigan and the company's design, engineering and other manufacturing plant are located here. Second, ECD believes that synergies with the joint venture will result if these entities are in close proximity. Third, the State of Michigan has long been involved with the company which is appreciative of the state's ongoing support. On the other hand, it is very difficult, for the company to walk away from an \$18 million grant from the State of Virginia. The company has indicated that the MEGA credit will make Michigan a much more viable location for this facility.

### **Recommendation**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 272 net new jobs for a period of 15 years and a business activity credit of 100 percent for a period of 15 years.

### **Board Discussion**

Tim Ward presented the report of the Executive Committee. He cited the diversification the project would bring to in Michigan's economy, and the need to compete with the Virginia incentive as reasons for recommending the project.

Doug Rothwell asked Nancy Bacon of Bekaert ECD Solar to show the company's product and give an explanation of the technology.

Mark Murray asked if the facility was a power plant. Ms. Bacon responded that it was not, that the plant would produce solar cells to be used in a variety of off site applications to produce electricity.

Mark Murray questioned the roles of ECD and Bekaert in the joint venture. Ms. Bacon explained that ECD responsibilities were for research and development nature, while Bekaert would be responsible for manufacturing and sales.

Doug Rothwell explained that there was a lot of private money backing the company. Ms. Bacon stated that if the company had not received a tax credit it would have moved its existing operation out of Michigan.

Craig DeNooyer asked what percentage of the market the company would represent. Ms. Bacon indicated that the total market was projected at 300 mega watts by the time the company reached its 25 mega watt capacity.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-030 awarding tax credits to Bekaert ECD Solar Systems, LLC be adopted.

### Action Item

#### Duncan Aviation

15745 S. Airport Road  
Battle Creek, Michigan 49015

Doug Rothwell asked Jim Donaldson to present the Duncan Aviation project to the Board noting that it was the third project in a non-automotive industry that would be considered today.

Duncan Aviation is the largest family-owned aircraft support operation in North America. The company's provides airframe/engine maintenance, exterior and interior completions, avionics/instrument and accessory repair, parts support, line service, government contract support and aircraft acquisition services. The company has over 1,400 employees nationwide including 506 employees in its Battle Creek and Kalamazoo facilities.

Duncan Aviation is exploring expansion of paint facilities and production shops in either Battle Creek or Lincoln, Nebraska. Capital investment over a 5-year period is expected to reach \$18 million, with \$13.4 million in building additions and \$4.6 million in machinery and equipment. Up to 662 people would be added to the workforce in Battle Creek at an average weekly wages of \$549 (\$13.72 per hour). The facility is expected to be operational in October 2001.

We estimate this facility will generate a total of 1,270 jobs in the state by the year 2014. Net state government revenues through the year 2014, would be increased by \$52,094,000 (2000 dollars) due to the presence of the project.

Based on figures obtained from the company, the cost disadvantage to locate this expansion in Michigan rather than Nebraska totals \$8.7 million over a 20-year period. This cost differential is primarily attributable to a tax-free status in Nebraska due to existing and future tax credits. In addition payroll costs, such as unemployment insurance, workers' compensation insurance and fringe benefits are lower in Nebraska.

The State of Michigan will provide an Economic Development Job Training grant of up to \$500,000 for training 662 new workers. The City of Battle Creek will be financing ramp improvements to service the expansion at a cost of up to \$1,000,000.

Duncan Aviation would not consider a location in Michigan without the MEGA credit due to the added costs associated with putting the project in Michigan.

### **Recommendation**

The Michigan Economic Development Corporation recommends an employment credit of 75 percent for up to 662 new jobs for the first two years, 50 percent for the following five years, 20 percent for the following seven years and 10 percent for one year.

### **Board Discussion**

Tim Ward presented the report of the Executive Committee. He stated that the Committee's recommendation was based on substantial cost gap, the diversification the project would bring to the economy and the increased employment opportunities the project would provide for graduates of the Western Michigan University aviation program.

Mark Murray questioned the "tax breaks" in Nebraska. Peter Anastor explained that Nebraska has many corporate tax incentives, and an absence of property tax on airport property.

Craig DeNooyer asked how large the facility would be. Gary Hartwig, Duncan Aviation, explained that it would be approximately 50,000 – 60,000 square feet. It will be a new structure. Mr. Hartwig advised the Board that Duncan is in the top 5 in its industry and that the Battle Creek facility would have a positive impact on the Kalamazoo operation as well.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-031 awarding tax credits to Duncan Aviation be adopted.

Doug Rothwell asked Mark Murray to brief the Board members on his recent meeting with the bond ratings analysts. Mark Murray indicated that Michigan is strong economically and its efforts to diversify its economy have reduced its sensitivity to cyclicalities. The current rating is an AA+. He also indicated that Michigan is well prepared if there is a downturn in the economy.

## **General Motors Corporation – Amendment**

Jim Donaldson presented the Amendment to the Board.

On June 13, 2000, the MEGA board adopted Resolution 2000-018 awarding a Single Business Tax credit to GM for the construction of a new auto assembly plant in Delta Township. The credit awarded was a MEGA job retention credit of 50 percent for up to 2,800 jobs for a period of twenty years, and a MEGA job retention business activity credit of 50 percent for a period of twenty years.

As MEDC staff was working with GM tax staff to finalize the MEGA credit agreement, it was found that the writers of the MEGA application (from another GM department) misunderstood the manner in which the average weekly wage was calculated. As a result, the wages provided in the application included bonuses and overtime payments that might not be available to the workers during slow economic conditions. Because the company must certify each year that it is paying the average weekly wage required in the agreement to collect its credit, the error could keep the company from meeting that condition whenever the economy has a downturn.

The estimated weekly wage in the resolution awarding the credit was \$1213 and GM is asking for an amendment changing the average weekly wage to \$953. In comparison, the average weekly wage approved by the Board, in May of 1999, for the GM Grand River plant in Lansing was \$938.

The economic impact on the company and the state does not change if the average weekly wage is amended. The company's MEGA credit will decrease during the years its total payroll is lower and increase during years when the employees work more overtime and receive higher bonuses.

MEDC staff recommends that the average weekly wage for the GM Platinum project be amended to \$953. No other changes to this resolution are requested.

### **Board Discussion**

Mark Murray stated he felt the amendment was reasonable.

Chairman Rothwell asked if there were any questions from the Board. There being none, it was moved, supported and carried that Resolution 2000-032 amending the Average Weekly Wage Change to General Motors Corporation be adopted.

The meeting was adjourned at 11:00 a.m.



STATE OF MICHIGAN



JOHN ENGLER, Governor

**DEPARTMENT OF MANAGEMENT & BUDGET**

P.O. BOX 30026, LANSING, MICHIGAN 48909

~~MARK A. MURPHY, Director~~

JANET E. PHIPPS, Director

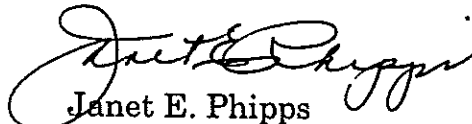
January 22, 1998

Mr. Doug Rothwell  
Chief Executive Officer and Department Director  
Michigan Jobs Commission  
201 N. Washington Square  
Lansing, Michigan 48913

Dear Mr. Rothwell:

I hereby designate Mary Lannoye, the Director of the Office of the State Budget, to represent me all future MEGA meetings.

Sincerely,

  
Janet E. Phipps  
Director

JEP/cal

cc: Nancy Patera