

Adopted Minutes

A rescheduled meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 N. Washington Square, Lansing, Michigan on September 24, 1996 at 10:00 a.m.

Members Present:

Doug Stites (acting for and on behalf of Doug Rothwell, authorization attached)
Mark Haas (acting for and on behalf of Doug Roberts, authorization attached)
Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached)
William LaMothe (via telephone)
John McCormack
David Porteous
Mark Murray

Members Absent:

Beth Chappell

Others Present:

Al Aceves, Michigan Jobs Commission
Dawn Baetsen, Michigan Jobs Commission
Kathy Blake, Michigan Jobs Commission
William Burke, City of Detroit
Diana Burns, Michigan Jobs Commission
Bob Carlo, Vice President-Finance, Walbro Automotive Corp.
Ralph Caponigro, CFO, Compuware Corporation
Larry Gormanzano, Michigan Jobs Commission
Jim Paquet, Secretary to the MEGA
Mike Pohnl, MEGA Specialist, Michigan Jobs Commission
Bill Schneider, Deloitte & Touche
John Wernet, Attorney General's Office

Call To Order

The meeting was called to order by Mr. Porteous, Acting Chair at 10:06 a.m.

Adoption of the Minutes from the August 13, 1996 Meeting

Mr. Stites reported that on page 5, line 4, "... Ohio used MEGA" ... should read "... Ohio used their Jobs Tax Credit Program ..."

It was moved, supported, and carried that the Minutes from the August 13, 1996 meeting be adopted as amended.

Public Comment

None

Action Items

Compuware Corporation
31440 Northwestern Highway
Farmington Hills, Michigan 48334-2564

Mr. Stites introduced Kathy Blake of the Michigan Jobs Commission and stated that Ms. Blake would be presenting a brief summary of the project.

Ms. Blake introduced Mike Pohnl and he in turn introduced Phil Schneider, Compuware/Deloitte & Touche, LLP; and Ralph Caponigro, Chief Financial Officer of Compuware.

History of the Company

Compuware develops and markets numerous software products and product operations around the world. Compuware is an international corporation headquartered in Farmington Hills, with nearly 5,000 employees worldwide. It has 28 North American offices and 31 others located in every major European country, Hong Kong, Japan, Singapore, and other countries. Compuware has seen significant growth since its inception. Current demand for products in the banking and automotive industries has prompted the company to consider a major expansion of both its product development and services staffs.

Project Description

Compuware proposes to expand either in Farmington Hills, Michigan, or in Columbus, Ohio. This expansion will create 331 computer software development jobs and will also lead to a significant increase in field service staff as a result of these new products.

This project will have a capital investment of approximately \$6.6 million for new computer equipment and furniture and fixtures. The company will be leasing building space in either location. Payroll for these 331 new employees is expected to exceed \$1,135 per week with a full benefit package. Total annual payroll will be in excess of \$19.5 million when all staff are on board.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Columbus, Ohio and Farmington Hills, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Compuware to establish their manufacturing facility in Farmington Hills rather than Columbus ranges from approximately \$255,000 to \$1,600,000 over the term of the incentive. The cost differential is primarily attributable to wages and lease costs.

Benefit to State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 680 new jobs in the State by the year 2011. Total state government revenues through the year 2011, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$28,383,000 (1996 dollars) due to the presence of the Compuware facility.

Staff Recommendation

Staff recommends a MEGA employment credit of 100 percent for years 1 through 3, and 40 percent for years 4 through 15 for up to 331 net new employees.

Board Members' Discussion

Mr. Stites reported that the Executive Committee had met on September 13th and unanimously recommended approval of the Compuware credit.

Mr. Stites reported that in today's paper there was an article about Compuware adding 1,200 new jobs for additional services to its existing customers. He indicated that these were in addition to the 331 newly-created jobs in software development that were the subject of the proposed MEGA credit.

Mr. LaMothe asked for a point of clarification on page 2, the annual cost disadvantage. Why such a wide range, \$255,000 to \$1,600,000? Mr. Stites indicated that the costs rise with the ramp-up of staff, primarily because of the wage differential. He also stated that the lease and wage differentials were independently verified. Mr. Murray stated he was not sure why but that in previous survey comparisons, Ohio's wages and leasing costs were less than Michigan's. In addition, Columbus has a historical vacancy rate of 11% compared to Farmington Hills 3% rate which may have contributed to the lease cost differential.

It was moved, supported, and carried that Resolution 1996-015 awarding tax credits to Compuware Corporation be adopted.

ADOPTED:

Ayes: Doug Stites (acting for and on behalf of Doug Rothwell, authorization attached), Mark Haas (acting for and on behalf of Doug Roberts, authorization attached), John McCormack, William LaMothe (via telephone), Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached), David Porteous, Mark Murray

Nays: None

**Walbro Automotive Corporation proposed Minority-Owned Joint Venture
1227 Centre Road
Auburn Hills, Michigan 48326**

Ms. Blake introduced, Bob Carlo, Vice President-Finance, Walbro Automotive, William Burke, City of Detroit and MJC staff who worked on the project.

History of the Company

Walbro Automotive is a wholly-owned subsidiary of Walbro Corporation. Walbro Corporation organized in 1950 and is headquartered in Caro, Michigan. The parent owns 13 wholly-owned direct and one majority-owned direct subsidiary in the United States and several other countries. Consolidated sales from its subsidiaries are nearly \$1 billion. Walbro Corporation and its subsidiaries employ over 4,400.

Walbro Automotive, headquartered in Auburn Hills, Michigan, supplies fuel system components to the global automotive market and is a Tier I supplier to the Big 3. The company continues to experience significant growth in its volume of shipments of multilayered fuel tanks, currently manufactured in Ossian, Indiana, and needs to expand.

Walbro Automotive Corporation proposes forming a Minority-Owned Joint Venture to manufacture and assemble fuel storage and delivery systems. Walbro Automotive seeks an affiliation with an expert minority firm that manufactures products which are similar in nature to Walbro's core business. Walbro will provide multilayer blow molding expertise while the minority-owned firm will provide injection molding and assembly expertise for maximum minority content.

Project Description

Walbro proposes to locate in the Detroit Empowerment Zone at the former GM Clark Street site. The joint venture will manufacture and assemble blow molded fuel tanks, fuel delivery and small part blow molded products for the Big 3 and other OEMs.

This project requires building, new equipment and machinery purchases for a total investment of \$50 million for the Detroit site.

The project is expected to be in full production by mid-1998. Estimated job creation is 353 over a three-year period. The average weekly wage would be \$635.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Indiana, and Detroit, Michigan. Based on figures obtained from the company, the annual cost disadvantage to establish the manufacturing facility in Detroit rather than Ossian, Indiana, ranges from approximately \$8,245,000 to \$9,975,00 over the term of the incentive. The cost differential is in building investments, wages, utilities, workers compensation, and city and state taxes.

Benefit to State

According to the economic analysis done by the University of Michigan, it is estimated that the facility will generate a total of 742 new jobs in the State by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, net of property tax abatement costs and adjusted for inflation, would be increased by \$32,163,000 (1996 dollars) due to the presence of the Walbro Minority-Owned Joint Venture facility.

Staff Recommendation

Staff recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 353 net new employees and a business activity credit of 100 percent for a period of 10 years to the Walbro Automotive Corporation proposed Minority-Owned Joint Venture. The credit will be granted to Walbro Automotive Corporation pending completion of the Minority-Owned Joint Venture.

Board Members' Discussion

Mr. Porteous questioned the impact of being located in an Empowerment Zone?

Mr. Stites stated that while modest it helps close the cost gap. The Executive Committee had discussed whether or not GM was pushing for the Empowerment Zone location. Mr. Stites indicated that Mr. Rothwell had talked to GM regarding this matter. GM indicated they wanted Walbro to locate there, but they were unwilling to pay additional costs to achieve that goal. Mr. Stites reported that this was the first MEGA project in an Empowerment Zone.

Mr. Murray stated that the Executive Committee was very comfortable with this project.

Mr. Kazmierski asked if the MEGA credit would be issued under Walbro's name? Mr. Stites answered, yes temporarily, and indicated that staff would bring the issue back to the Board when the joint venture is legally structured.

Mr. Porteous asked who would be the minority company?

Mr. Stites deferred to Mr. Carlo of Walbro who gave a brief background on the minority company. Regal Plastics is an injection molded components company. Regal will bring management capability in injection molding and assembly to the joint venture. Regal is a Michigan company with approximately 75-100 employees. It is located in Roseville and is privately held. Bill Pickard was identified as a principal in the firm.

Mr. LaMothe asked if wages reported included benefits? Mr. Stites indicated the \$15.87 hourly wage did not include benefits, which added another 41% to the package. Mr. Stites also stated that future briefings would include benefit information.

Mr. LaMothe indicated that the wages were good and that this looked like a very good investment for Detroit.

It was moved, supported, and carried that Resolution 1996-016 awarding tax credits to Walbro Automotive Corporation proposed Minority-Owned Joint Venture be adopted.

ADOPTED:

Ayes: Doug Stites (acting for and on behalf of Doug Rothwell, authorization attached), Mark Haas (acting for and on behalf of Doug Roberts, authorization attached), John McCormack, William LaMothe (via telephone), Phil Kazmierski (acting for and on behalf of Robert Welke, authorization attached), David Porteous, Mark Murray

Nays: None

Mr. Porteous thanked both companies for their commitment to Michigan.

MEGA Report for the First Six Months of 1996

Mr. Stites reported that the report was created as an update for the Legislature and decisionmakers, as a conversation starter about extension of the program. The format used was the same as MJC used for their Annual Report.

Mr. McCormack indicated he would like to see a map with locations of all MEGA deals and a description of the types of jobs created. Mr. Pohnl responded that he has a map, however, it is still in draft form.

Mr. Porteous announced that the Governor and Mr. Rothwell would be attending Hayworth's ribbon cutting ceremony on September 27 and perhaps MEGA Board Members would like to attend. The presentation is scheduled for 11:00 a.m. in Big Rapids.

Mr. Stites announced the October 8th meeting is still on the schedule.

Adjourned at 10:43 a.m.