

## ADOPTED MINUTES

A 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 9, 1997 at 10:00 a.m.

### Members Present:

Doug Rothwell  
Theresa Horsfall (acting for and on behalf of James DeSana)  
William LaMothe (via phone)  
John McCormack  
Mark Murray  
Madhu R. Anderson (acting for and on behalf of Douglas Roberts)

### Members Absent:

David Porteous  
Beth Chappell

### Others Present:

Cathy Brubaker-Clarke, Planning Dir./Acting Economic Development Dir., Muskegon  
Cristine Dreese, Secretary, Michigan Jobs Commission (MJC)  
Jim Donaldson, Outstate Regional Director, MJC  
Mike Flint, VP-Manufacturing, Neway Anchorlok International, Inc.  
Van Hindes, Director of Corporate Affairs, Gerber Products Company  
Sheila Middaugh, Public Affairs/Communications, MJC  
Cindy Morat, Account Manager, MJC  
Jim Paquet, Secretary to the MEGA Board, MJC  
Raymond E. Rathbun, Mayor, City of Fremont  
Douglas E. Stites, Chief Operating Officer, MJC  
Jim Tobin, Director, Public Affairs, MJC  
Dan Vanderberg, Tax Manager, Neway Anchorlok International, Inc.  
David L. Wendtland, President and CEO, Muskegon Economic Growth Alliance  
John Wernet, Attorney General's Office  
Chris Yonker, City Manager, City of Fremont

### Call To Order

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

### Adoption of the Minutes from the June 10, 1997 Meeting

It was moved, supported, and carried that the minutes from the June 10, 1997 meeting be adopted.

### Public Comment

There were no comments from the public.

### Action Items

***Gerber Products Company  
445 State Street  
Fremont, Michigan 49413***

Chairperson Rothwell introduced Jim Donaldson from the MJC and then asked him to present the Gerber Products Company project. Mr. Donaldson introduced Cindy Morat who introduced Van Hindes from Gerber, and Raymond Rathbun and Chris Yonker, both from the City of Fremont. Mr. Donaldson then summarized the key points from the briefing memo on the project.

### Project Description

Gerber Products was established in Fremont, Michigan, in 1928. The company currently employs more than 1,200 people in Fremont. They also own facilities in Arkansas, North Carolina, and Wisconsin. Gerber has decided to close the Asheville, North Carolina, facility and relocate that production to either Michigan or Fort Smith, Arkansas.

Gerber would like to expand either its Fremont, Michigan or Fort Smith, Arkansas, food production facility. The expansion is expected to create 125 new jobs with an average weekly wage of \$508. Capital investment in either facility will be approximately \$6 million in renovation costs, \$23 million for new or relocated machinery and equipment, and \$1.3 million in relocation costs.

It is estimated that this facility will generate a total of 373 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 \$17,859,000.

The annual cost disadvantage for Gerber Products to expand its manufacturing facility in Fremont, Michigan, is approximately \$760,000 over the term of the incentive. The cost differential is primarily attributable to utility and tax costs.

To support this project in Fremont, significant improvements to the sewage treatment system will be needed. The State of Michigan will be providing Fremont a Community Development Block Grant worth up to \$2.1 million to upgrade waste water treatment infrastructure.

The City of Fremont will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$5.4 million.

### **Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 85 percent for a period of 20 years for up to 125 net new jobs, and a business activity credit of 85 percent for a period of 20 years.

### **Board Members' Discussion**

Chairperson Rothwell gave the report of the Executive Committee indicating that it was recommending the Gerber project to the full Board. He then asked for questions from the Board. Representatives from Gerber were asked what led to the decision to close the Asheville plant. The company's representative responded that improved efficiency allowed the company to produce in two plants what it formerly could in three. A question was raised regarding the source of the raw product used in Gerber baby foods. The company representative indicated that raw product is sourced from all over the world. Michigan is not the primary source, although certain crops are sourced only from Michigan.

Chairperson Rothwell congratulated the City on how hard it had worked with Gerber on the company's property tax assessment, which could have been very costly for Gerber.

One of the board members asked for more information on the Community Development Block Grant (CDBG) funding that was being offered to Fremont. Mr. Donaldson responded that the CDBG funds that Fremont would receive were from federal funds awarded to eligible communities. The funds would be used to rebuild a waste treatment line that currently leaks. It was noted that the combination of incentives that Michigan was able to offer brought us to a level that was competitive with Arkansas.

It was moved, supported, and carried that Resolution 1997-014 awarding tax credits to Gerber Products Company be adopted.

***Neway Anchorlok International, Inc.  
1950 Industrial Boulevard  
Muskegon, Michigan 49442-0425***

Chairperson Rothwell asked Mr. Donaldson to present the Neway Anchorlok International, Inc. project. Mr. Donaldson asked Cindy Morat to introduce the company's representatives. She introduced Mike Flint and Dan Vanderberg of Neway and Cathy Brubaker-Clarke and David Wendtland of the Muskegon Economic Growth Alliance. Mr. Donaldson then summarized the key points from the briefing memo on the project.

### **Project Description**

Neway Anchorlok designs and manufactures a full line of air suspension systems and spring actuators for both trucks and trailers. Neway currently employs 380 workers in facilities in Muskegon and Grand Haven. The company also has an operation in Mexico.

Neway's major customers are located in Southern and Midwestern areas of the country. Neway is considering locations in Leiters Ford, Indiana, or Muskegon, Michigan for an expansion of its manufacturing, distribution, testing, and product engineering operations. This expansion would involve the addition of manufacturing, distribution and office space costing \$2.4 million and an investment of \$5.5 million in machinery and equipment. This expansion will create 163 jobs with an average weekly wage of \$626.

It is estimated that this facility will generate a total of 547 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, and adjusted for inflation, would be increased by \$27,172,000.

The annual cost disadvantage for Neway Anchorlok to establish its manufacturing facility in Muskegon, Michigan, rather than Leiters Ford, Indiana, ranges from approximately \$300,000 to \$455,000 over the term of the incentive. The cost differential is primarily attributable to utility costs and transportation costs.

The City of Muskegon will provide a 50 percent personal property tax abatement for a period of 6 years worth approximately \$288,861.

### **Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 90 percent for a period of 20 years for up to 163 net new jobs.

**Board Members' Discussion**

Chairperson Rothwell gave the report of the Executive Committee. He indicated that the heavy truck industry had moved out of Michigan and that Neway was one of the few suppliers remaining here. In an effort to preserve that supplier base, and to counter the strong pull of Neway's principal customer, which is located in Indiana, the Executive Committee was recommending the project to the Board. Mr. Rothwell then asked for questions from the Board.

Mr. Murray indicated that the difference between non-union wages in Indiana and union wages in Michigan was not considered in establishing the level of the MEGA award. He said he thought that was appropriate and asked that the reference to higher union wages be stricken from the briefing memo.

It was moved, supported, and carried that Resolution 1997-015 awarding tax credits to Neway Anchorlok International, Inc. be adopted.

The meeting was adjourned by Chairperson Rothwell at 10:35 a.m.