

## PROPOSED MINUTES

A special meeting of the Michigan Economic Growth Authority (MEGA) was held on the 4<sup>th</sup> Floor of the Victor Office Center, at 201 North Washington Square, Lansing, Michigan on October 28, 1998 at 4:00 p.m.

### Members Present:

Doug Rothwell  
David Porteous  
Beth Chappell (via phone)  
Phil Kazmierski (acting for and on behalf of James R. DeSana)  
James Garavaglia (via phone)  
John McCormack  
Mary Lannoye (acting for and on behalf of Janet E. Phipps)  
Mark Haas (acting for and on behalf of Douglas Roberts)

### Members Absent:

None

### Others Present:

Al Aceves, Deputy Director, International and National Business Development (INBD), Michigan Jobs Commission (MJC)  
B. Dennis Albrechtsen, VP Manufacturing, Howmet International, Inc.  
Susana M. Albrechtsen, Howmet International, Inc.  
Dawn Baetsen, Director, National Business Development, MJC  
Kathy Blake, Director, Michigan Business Development (MBD), MJC  
Greg Burkart, Director, INBD, MJC  
Jim Donaldson, Deputy Director, MBD, MJC  
Cristine Dreese, Secretary, MJC  
Michael Guthrie, President, TruMack Assembly, LLC  
Chris Hackbarth, Legislative Assistant, Senator Leon Stille  
Gerald Homminga, City Manager, City of Whitehall  
Cindy Morat-Larsen, Account Manager, MJC  
Patrick Neal, Business Development, Mackie Automotive Systems  
Jim Paquet, Secretary to the MEGA Board, MJC  
Sante J. Perrelli, Assistant Attorney General, Michigan Attorney General's Office  
Mike Pohnl, MEGA Specialist, MBD, MJC  
Tom Schimpf, Assistant Attorney General, Michigan Attorney General's Office  
Mark Sealin, Director of Business Development, Mackie Automotive Systems  
Susan Shafer, Director of Communications, MJC  
Jim Tobin, Director, Public Affairs, MJC  
Daron Topouzian, Project Manager, Ford Motor Company  
Norman Ullman, Mayor, City of Whitehall

### Call To Order

The meeting was called to order by Chairperson Rothwell at 4:05 p.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 October 14, 1998 Meeting

It was moved, supported, and carried that the minutes from the October 14, 1998 meeting be adopted.

### Public Comment

There were no comments from the public.

### Action Items

***Howmet International Corporation  
Whitehall Castings Division  
One Misco Drive  
Whitehall, Michigan 49461***

Chairperson Rothwell introduced Jim Donaldson from the MJC and asked him to present the project. Mr. Donaldson welcomed representatives from Howmet International, Inc., and from the City of Whitehall; then he summarized the key points from the briefing memo on the project.

### Project Description

Whitehall Castings Division is a part of Howmet International which employs more than 10,000 worldwide and employs 2,405 in West Michigan. Whitehall Castings produces precision cast parts for aircraft engines for both military and commercial use.

Howmet has traditionally been the largest employer in Whitehall. Since downsizing in the 1980's, the company has been stable and slowly growing. A MEGA credit was awarded in April 1997 to Sprayform Technologies, a Howmet joint venture, that is also located in Whitehall.

This project would invest over \$50 million in buildings, machinery, and equipment to meet expected demand for commercial and military needs for jet engines. At full employment, this new facility would create up to 580 net new jobs. The new jobs will

pay an average wage of \$475/week and have a full benefit package. This is a unionized facility. Without this expansion in Whitehall, the Howmet facilities here would be at a competitive disadvantage for future work because of capacity limitations.

The economic analysis done by the University of Michigan estimates this facility will generate a total of 1566 jobs in the state by the year 2018. Total net state government revenues through the year 2018, will be increased by \$78,182,000 (1998 dollars) due to the presence of the Howmet facility.

Based on figures obtained from the company, the cost disadvantage for Howmet to expand its manufacturing operations in Whitehall, rather than Wichita Falls, Texas, is over \$3 million annually over the term of the incentive. The cost differential is primarily attributable to lower wages, workers' compensation costs, and lower taxes in Texas. In addition, the city of Wichita Falls has offered Howmet a suitable building to house this facility for a token annual lease payment. The Whitehall Castings Division is in direct competition with the Howmet facility in Texas. This facility in Texas is underutilized. It can be expanded and employ a non-union workforce. To assure this expansion takes place in Michigan, these cost disadvantages must be overcome.

The Michigan Jobs Commission and the local communities will provide Howmet with up to \$3 million in infrastructure development for an improved water system and extensive road improvements. In addition, the Jobs Commission will provide up to \$235,000 for recruitment assistance and up to \$500,000 for training. The State Education Tax will be abated for the same term as the local abatement and could be worth up to \$1,200,000. The city of Whitehall will provide a property tax abatement for up to 12 years.

#### **Staff Recommendation**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years and a business activity credit of 100 percent for a period of 20 years, for up to 580 net new jobs.

#### **Board Members' Discussion**

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the Howmet International Corporation project to the full Board. Mr. Porteous stated that the Executive Committee had engaged in extensive discussions on this project and decided that it was important for the State of Michigan to offer a tax credit to offset the cost disadvantages of locating in Michigan. He pointed out that Texas had put together a great incentive package in vying for the

project. He also commended the local government for doing its part in providing incentives for the project.

Chairperson Rothwell asked if there were any questions from the Board. Board Member Garavaglia asked about the proposed road improvements. One of the representatives of the project responded that the road improvements would not only provide a main entryway to the facility, but would remove some of the congestion in the downtown area by diverting truck traffic.

Board Member McCormack asked whether the cost disadvantage figures specified in the briefing memo were on an annual basis. The answer was yes.

After discussion by the Board, it was moved, supported, and carried that Resolution 1998-019 awarding tax credits to Howmet International Corporation be adopted.

***TruMack Assembly, LLC  
1820 Sunset Avenue  
Lansing, Michigan 49461***

Chairperson Rothwell introduced Al Aceves from the MJC and asked him to present the project. Mr. Aceves welcomed the individuals who were present at the meeting on behalf of the TruMack Assembly, LLC, project. He then summarized the key points from the briefing memo on the project.

#### **Project Description**

TruMack Assembly, LLC, (TruMack) is a joint venture between TruMark, Incorporated, of Lansing, Michigan and Mackie Automotive Systems, Incorporated, of Oshawa, Ontario. The joint venture was organized to assemble motor home chassis, designated as Ford's F-53 Super Duty F-Series.

TruMark, Incorporated, is a certified minority-owned company and a tier one supplier of metal stampings and welded assemblies to Chrysler, Ford, and General Motors, Mackie Automotive Systems is a supplier of sub-assemblies and sequenced parts, primarily to General Motors Corporation.

TruMack Assembly, LLC, has been awarded a ten-year contract to manufacture motor home chassis for Ford Motor Company. Presently this work is being completed in Monterrey, Mexico. TruMack Assembly, LLC, is considering Elkhart, Indiana or the Lynch Road Renaissance Zone site in the city of Detroit.

The project would involve construction of a new 210,000 square foot facility. Investment of \$26.4 million is expected and job creation will total 345 within four years. The average weekly wage is estimated at \$480 producing an annual payroll of approximately \$8.6 million at full production.

Relocation of this project from Mexico to the Detroit Renaissance Zone could bring parts and sub-components work, currently sourced in Mexico, to Michigan suppliers. A Michigan based facility may also allow Ford to expand "rolling chassis" capability into market segments beyond motor homes. TruMark, Incorporated, of Lansing would acquire significant new stamping work, requiring expansion of its current facility and further job creation.

The economic analysis done by the University of Michigan estimates the facility will generate a total of 477 jobs in the state by the year 2019. Total net state government revenues through the year 2019, would be increased by \$28,868,000 (1998 dollars) due to the presence of the TruMack Assembly, LLC, facility.

Based on figures obtained from the company, the cost disadvantage for TruMack Assembly, LLC, to establish its manufacturing facility in Detroit, Michigan, rather than Elkhart, Indiana, is approximately \$6.5 million annually over the term of the incentive. The cost differential is primarily attributable to rail transportation, and to a lesser extent, workers' compensation, and taxes.

The proposed site is located in the Detroit Renaissance Zone. The value of the 6-mill state education tax abated over the life of the Renaissance Zone is \$669,868. The corresponding value of the local tax abated is \$7,143,410. The value of abated Single Business Taxes over the life of the Renaissance Zone is \$90,119.

The State of Michigan will provide TruMack Assembly, LLC, with a 100 percent abatement of the 6-mill State Education Tax for the two years which the local property tax abatement extends beyond the life of the Renaissance Zone. The estimated value of the 6-mill abatement is \$207,015.

Job training funds will also be offered to the company at \$500 per employee for up to 345 net new employees for a total of \$172,500. In addition, the local community will be applying to the State of Michigan for a Renaissance Fund Grant worth up to \$750,000 for a portion of the required infrastructure.

Without the assistance offered by the MEGA program, TruMack Assembly, LLC, would not locate its new facility in Michigan because Ford Motor Corporation contracts with low cost producers able to meet Ford's targeted unit costs. The joint venture requires MEGA assistance to contribute to project cost savings in order to meet Ford Motor Corporation's targeted unit costs.

### Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 345 net new jobs and a Business Activity Credit of 100 percent for years 8, 9 and 10 to eliminate the SBT liability that TruMack would incur during the phase out of the Renaissance Zone.

### Board Members' Discussion

Vice Chairperson Porteous gave the report of the Executive Committee indicating that it was recommending the TruMack Assembly, LLC project to the full Board. Mr. Porteous stated that this was a very significant project in actuality and symbolically. It would involve relocating a plant from Mexico to the Detroit Renaissance Zone. The project would also receive significant support from Ford. Mr. Porteous stated that the competing Elkhart, Indiana location was very attractive because of the concentration of motor home manufacturing activity there. Vice Chairperson Porteous stated that even with the incentive package that the State is able to offer TruMack, there was still a large cost gap remaining between Michigan and Indiana.

Vice Chairperson Porteous asked representatives for the TruMack project if they would comment. Mr. Topouzian from Ford Motor Company stated that Ford had been struggling with the project. It wanted to do something for the Detroit area but the project did not make financial sense. With implementation of a lean manufacturing process, good use of suppliers, and assistance like the MEGA tax credit, the project could be viable.

Mr. Guthrie, president of TruMack Assembly, LLC, stated the company's long-term success depended on being able to manufacture other vehicles, and that this project was needed to make that future possible.

Chairperson Rothwell asked if there were any questions from the Board.

Board Member McCormack asked how many jobs would be added at TruMark (the parent company of TruMack) in the Lansing area if the project were to occur? Mr. Guthrie responded that depending on the ability of their equipment to handle the project, TruMark would add 25-30 employees in Lansing.

After discussion by the Board, it was moved, supported, and carried that Resolution 1998-020 awarding tax credits to TruMack Assembly, LLC be adopted.

The meeting was adjourned by Chairperson Rothwell at 4:35 p.m.