

Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 201 N. Washington Square, 4th Floor, Lansing, Michigan on November 14, 1995 at 10:00 a.m.

Members Present:

Doug Stites (acting for and on behalf of Douglas Rothwell, authorization attached)
David Porteous, Vice Chairperson (via phone)
Beth McDermott Chappell (via phone)
Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached)
Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached)
Mark Murray
William LaMothe

Members Absent:

John McCormack

Others Present:

Dee Carlson, Muskegon Economic Growth Alliance
Ed Wolf, Director, Informational Systems, AMSTED Industries, Inc.
Jan Zanetti, Account Representative, Michigan Jobs Commission
Mike Pohnl, Michigan Jobs Commission
Jim Donaldson, Outstate Regional Director, Michigan Jobs Commission
Al Aceves, Michigan Jobs Commission
Jim Paquet, Secretary to the MEGA Board
Diana Burns, Michigan Jobs Commission

Call To Order

The meeting was called to order by Mr. Stites at 10:05 a.m.

Adoption of the Minutes from the October 24, 1995 Meeting

It was moved, supported, and carried that the Minutes from the October 24, 1995 meeting be adopted.

Public Comment

None.

Action Item

Standard Automotive Parts Company,
A Division of Burgess-Norton Manufacturing Co.
660-668 Nims Street
Muskegon, Michigan 49442

Mr. Stites introduced Mr. Jim Donaldson of the Michigan Jobs Commission and stated that Mr. Donaldson would be presenting a summary of the proposed project.

Mr. Stites then asked all in attendance to introduce themselves for the benefit of board members attending via phone. Mr. Donaldson introduced Ed Wolf of Standard Automotive Products, Dee Carlson of the Muskegon Economic Growth Alliance, and Jan Zanetti, Al Aceves and Mike Pohnl of the Jobs Commission staff.

History of Company

Standard Automotive Parts Company is a division of Burgess-Norton Manufacturing Company which is a subsidiary of Amsted, a Fortune 500 company. Standard Automotive was established in 1910 and, like many Muskegon companies, is engaged in the foundry business. In past years, the company has expanded its product line and is now involved in value added processes beyond its foundry activities. As a result of the company being purchased by Burgess-Norton, it is competing for business with other divisions of the parent company, Amsted, and needs to update its physical plant and processes to remain competitive and support the remaining foundry operations.

Project Description

Burgess-Norton has new contracts for rocker arms and other customer castings that can be manufactured at their DeKalb, Illinois or Muskegon, Michigan facility. The project would be located in the federally designated enterprise community which includes parts of Muskegon and Muskegon Heights. The project includes the purchase of \$5,200,000 in machining equipment and \$800,000 in new construction. The project will create 25 new jobs with an average weekly wage of \$543, for a total annual payroll of more than \$705,000. The location of this expansion will assure that the 158 jobs at the Muskegon facility will remain.

Benefit to State

Based on the economic analysis done at the University of Michigan, we estimated this facility will generate a total of 88 new jobs in the State by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$4.8 million, due to the presence of the Standard Automotive facility.

Cost Analysis

Based on figures obtained from the company, the annual cost disadvantage for Standard Automotive to establish their manufacturing facility in Muskegon rather than DeKalb ranges from approximately \$129,000 to \$229,000 over the term of the incentive. The cost differential is primarily attributable to state imposed tax costs. There is no personal property tax in Illinois and the corporate income tax is lower than Michigan's SBT.

Other State and Local Assistance

Other state assistance includes a 100 percent abatement of the 6 mill school tax and workforce recruitment, screening and training assistance. Local assistance in the form of a property tax abatement that totals approximately \$477,000 over 12 years will be offered to the company by the local community.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years.

Mr. Stites stated that the Executive Committee had met several days earlier to discuss the application and perhaps either Mr. Porteous or Ms. McDermott Chappell would elaborate on their discussion for the Board.

Mr. Porteous stated the fact that the project was within an enterprise community in the Muskegon area was an added incentive for considering this request. The project is on the small side -- demonstrating MEGA's commitment to help smaller companies. He also added that the employment numbers are low but because the project is in an enterprise community it qualifies for MEGA credits.

Mr. Stites stated that the lower threshold for jobs (25 jobs) has been written into the law when the project is located in a neighborhood enterprise zone or a federally designated empowerment zone, enterprise community or rural enterprise community. He also indicated that the new jobs created would help retain the existing foundry jobs and encourage continued investment in the foundry and the community.

Mr. LaMothe asked how many neighborhood enterprise zones there were in Michigan? Mr. Stites indicated that there were approximately 30 communities eligible.

It was moved, supported, and carried that Resolution 1995-013 awarding tax credits to AMSTED Industries, in connection with the project at its Standard Automotive Parts operation, be adopted.

ADOPTED:

AYES: Doug Stites (acting for and on behalf of Doug Rothwell, authorization attached), Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Mark Haas (acting for and on behalf of Douglas Roberts, authorization attached), Elizabeth McDermott Chappell (via phone), William LaMothe, David Porteous (via phone), Mark Murray

NAYS: None

Mr. Stites announced that the next board meeting is scheduled for December 12 with an Executive Committee to be held several days prior to the board meeting. Mr. Stites also stated that the December 12th meeting would be the last meeting of the year and that we would be well below the 25 tax credit awards that are authorized for each calendar year by the MEGA statute.

Mr. LaMothe reported that he had attended a meeting of the Calhoun County Development Forum where the discussion focused on the downsizing of companies in Southwest Michigan. Mr. LaMothe stated that by 1998 it was projected that 8,000 jobs would be lost due to cutbacks. He added that the downsizing trend underlines the importance of the work done by the MEGA to encourage new job creation.

Mr. Stites reminded the Board that MEGA tax credits cannot be used to retain current jobs.

The meeting was adjourned at 10:30 a.m.