

Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Olds Plaza, Cabinet Room, 2nd Floor, 111 South Capitol Avenue, Lansing, Michigan on March 12, 1996 at 10:00 a.m.

Members Present:

Doug Rothwell, Chairperson
Elizabeth McDermott Chappell (via phone)
Matthew DeLong (acting for and on behalf of Robert A. Welke, authorization attached)
Madhu Anderson (acting for and on behalf of Doug Roberts, authorization attached)
John McCormack
David Porteous
Mark Murray

Members Absent:

William LaMothe

Others Present:

Karen Ammarman, Michigan Jobs Commission
Rosemarie E. Aquilina, Attorney for National TechTeam
Dawn Baetsen, Account Manager, Mid-Michigan Region, Michigan Jobs Commission
Karen Benson, Economic Development Coordinator for Association of Commerce & Industry
Joe Bevirt, Midland County Economic Growth and Development Corporation
Budd D. Brink, Vice President-Finance, Shape Corporation
Diana Burns, Michigan Jobs Commission
Bill Cargo, Manager, Grand Haven Township
William Coyro, CEO and Chairman, National TechTeam
Jim Donaldson, Outstate Regional Director, Michigan Jobs Commission
Paul Huybrethol, National TechTeam/Paratel
John Mulcahy, Booth Newspaper
Leslie Pierfelice, Case Systems, Inc.
Tony Pierfelice, President, Case Systems, Inc.
Mike Pohnl, MEGA Specialist, Michigan Jobs Commission
Ben Robertson, Account Manager, Michigan Jobs Commission
Larry R. Schrauben, Acting Secretary to the MEGA Board
Douglas Stites, Chief Operating Officer, Michigan Jobs Commission
Donald Taylor, Mayor, City of Midland
Steve Tyler, National TechTeam
Gary Verplank, CEO, Shape Corporation
John Wernet, Attorney General's Office
Richard Wirtz, Midland County Economic Growth and Development Corporation

Call to Order

The meeting was called to order by Chairman Rothwell at 10:02 a.m.

Adoption of the Minutes from the March 1, 1996 Meeting

It was moved, supported, and carried that the Minutes from the March 1, 1996 meeting be adopted.

Public Comment

None

Action Items

*Case Systems, Incorporated
1930 Stark Road
Midland, Michigan 48641*

Chairman Rothwell introduced Mr. Jim Donaldson of the Michigan Jobs Commission and stated that Mr. Donaldson would be presenting brief summaries of the three proposed projects before the Board.

Mr. Donaldson introduced representatives from Case Systems, Incorporated; City of Midland; Midland County, and MJC staff who worked on the project.

History of Company

Case Systems, Incorporated is a Michigan company based in Midland County. It is located in a light industrial area outside of the city in a building that cannot be expanded. The company builds institutional furniture for schools, laboratories and medical offices and currently employs approximately 100 people.

Project Description

Case Systems, Incorporated will move its entire operations approximately five miles from Lincoln Township, Michigan to the City of Midland, or to an existing facility in Siler City, North Carolina. If the project goes to North Carolina, Michigan will not only lose the 110 new jobs, but over 100 existing jobs may leave the State.

This project will have an investment of approximately \$2.1 million with about \$1.2 million in building improvements and new equipment and about \$.9 million for leasehold improvements. This expansion will create 110 new jobs in the next three years with an average weekly wage of approximately \$444.

A move to Midland will utilize an existing facility that has remained vacant for several years. The company cannot expand on its present site. The township is aware of this potential move and is willing to provide a resolution for the transfer of employees for both MEGA and property tax abatement purposes.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Siler City, North Carolina and Midland, Michigan. Based on figures obtained from the company, the cost disadvantage for Case Systems to establish its manufacturing facility in Midland rather than Siler City ranges from \$100,000 to \$200,000 annually, over the term of the incentive. The cost differential is

primarily attributable to transportation costs, state taxes and utility costs.

Benefit to State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 268 new jobs in the State by year 2011. Total state government revenues through year 2011, net of MEGA costs, and adjusted for inflation would be increased by \$10,871,000 (1996 dollars) due to the presence of the Case Systems, Incorporated facility.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 50 percent for a period of 13 years for up to 110 employees.

Board Members Discussion

Mr. Porteous stated that the Executive Committee, after reviewing staff's analysis and briefing memo, concurred with their recommendation of a tax credit for Case Systems, Incorporated.

It was moved, supported, and carried that Resolution 1996-005 awarding a tax credit to Case Systems, Incorporated be adopted.

ADOPTED:

AYES: Doug Rothwell, Matthew DeLong (acting for and on behalf of Robert A. Welke, authorization attached), Madhu Anderson (acting for and on behalf of Doug Roberts, authorization attached), Elizabeth McDermott Chappell (via phone), John McCormack, David Porteous, Mark Murray

NAYS: None

*National TechTeam, Inc.
22000 Garrison Avenue
Dearborn, Michigan 48124*

Mr. Donaldson introduced representatives from National TechTeam, Inc. and MJC staff who worked on the project.

History of Company

National TechTeam, Inc. is a publicly traded company headquartered in Dearborn, Michigan with approximately 700 employees in Michigan. The company provides computer training, corporate computer support services, call-center services, networking services, and systems integration for Fortune 500 companies and their suppliers. National TechTeam also services customers from offices in Lansing and Troy, Michigan; Chicago, Illinois; Indianapolis, Indiana; San Francisco, California; Dallas, Texas, and Brentwood, England.

Project Description

National TechTeam, Inc. will select either Dallas, Texas or Southfield, Michigan to expand its call-center service operations. The company will need an additional 66,000 sq. ft. of office space to accommodate the expansion. They will invest approximately \$6 million in computer and related office equipment, in addition to creating 650 new jobs over a three year period. The average weekly wage at this operation is approximately \$482. Total incremental payroll at full production is estimated to be \$16.3 million annually.

Cost Analysis

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Dallas, Texas and Southfield, Michigan. Based on figures obtained from the company, the cost disadvantage for National TechTeam, Inc. to locate its expansion in Southfield, Michigan, rather than Dallas, Texas, ranges from \$450,000 to \$520,000 annually, over the term of the incentive. The cost differential is primarily attributable to employee wages and building costs.

Benefit to State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 884 jobs in the State by year 2004. Total state government revenues through year 2004, net of MEGA costs and adjusted for inflation, would increase by \$19,917,000 due to the presence of the National TechTeam, Inc. expansion. This project would create a total of \$291 million (1996 dollars) in personal income by year 2004 for Michigan residents.

Staff Recommendation

Staff recommends a MEGA employment credit of 100 percent for the first three years; 60 percent for years four and five and 30 percent for years six through nine. This credit is for a maximum of 650 new jobs.

Board Members Discussion

Mr. Porteous stated that but for MEGA, National TechTeam, Inc., would not locate in Southfield, Michigan. The company has sufficient operations and capacity in Dallas, Texas with 214 employees located in Dallas, as well as, extra office space; given the type of operation that National TechTeam operates, this expansion could very easily be located to Dallas, Texas.

Mr. Murray asked what types of positions make up the 650 jobs? Mr. Coyro responded that employees must have a high school diploma and depending on their skill level, start at the entry level and progress to a high level of computer expertise after the completion of their training program, usually within a year. In the past, many positions have been filled by displaced auto workers and teachers.

It was moved, supported, and carried that Resolution 1996-006 awarding tax credits to National TechTeam, Inc. be adopted.

ADOPTED:

AYES: Doug Rothwell, Matthew DeLong (acting for and on behalf of Robert A. Welke, authorization attached), Madhu Anderson (acting for and on behalf of Doug Roberts,

authorization attached), Elizabeth McDermott Chappell (via phone), John McCormack, David Porteous, Mark Murray

NAYS: None

*Shape Corporation
1900 Hayes Road
Grand Haven, Michigan*

Mr. Donaldson introduced representatives from Shape Corporation, officials from the Grand Haven area, and MJC staff who worked on the project.

History of Company

Shape Corporation was founded in Grand Haven in 1974 and currently employs approximately 580 people at two facilities in Grand Haven. Shape makes ferrous and non-ferrous rollformed products. Major contracts are with the automotive and furniture industries.

Project Description

The new facility will be approximately 150,000 sq. ft. and may be expanded to 250,000 sq. ft. Expected new employment will be 125 in the first year of the project with up to 400 new employees within three years of start-up. Average weekly wage for this facility will be approximately \$456 initially and it is estimated at \$488 in year three.

Cost Analysis

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Findlay, Ohio and Grand Haven Township, Michigan. Based on figures obtained from the company, the cost disadvantage for Shape Corporation to establish its manufacturing facility in Grand Haven Township rather than Findlay, Ohio is approximately \$700,000 annually, over the term of the incentive. The cost differential is primarily attributable to transportation costs, state imposed tax costs, and utility costs.

Benefit to State

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,738 new jobs in the State by year 2016. Total state government revenues through year 2016, net of MEGA costs, net of property tax abatement cost, and adjusted for inflation would be increased by \$84,671,000 (1996 dollars) due to the presence of the Shape Corporation facility.

Staff Recommendation

Staff recommends a MEGA employment credit of 100 percent for a period of 20 years and a business activity credit of 65 percent for a period of 10 years for up to 400 employees.

Board Members Discussion

Mr. Porteous stated that Shape Corporation would not locate in Grand Haven Township without a MEGA tax credit to offset higher transportation costs. Transportation costs would be higher at a Michigan facility because most of Shape's automotive customers are located in Ohio and Kentucky. A Findlay, Ohio location is also closer to the steel mill that provides the steel to produce the bumpers.

Mr. Porteous also stated that the Executive Committee, after reviewing the staff's analysis and briefing memo, concurred with their recommendation for a tax credit for Shape Corporation.

Mr. Murray indicated his concern regarding the value of the tax credits exceeding the cost differential in some years. Mr. Pohnl reported that the REMI study adjusts for inflation, while the analysis and due diligence completed by the MJC staff, relative to the cost differential between Michigan and the competing state, adjusts for inflation but not for real wage growth. Staff will consult with the University of Michigan to make sure that all assumptions and analyses are consistently applied between the REMI analysis and staff's analysis.

It was moved, supported, and carried that Resolution 1996-007 awarding a tax credit to Shape Corporation, be adopted.

ADOPTED:

AYES: Doug Rothwell, Matthew DeLong (acting for and on behalf of Robert A. Welke, authorization attached), Madhu Anderson (acting for and on behalf of Doug Roberts, authorization attached), Elizabeth McDermott Chappell (via phone), John McCormack, David Porteous

NAYS: Mark Murray

Adjournment

The meeting adjourned at 10:57 a.m.