

Approved Minutes

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Victor Office Center, 4th Floor, 201 N. Washington Square, Lansing, Michigan on August 17, 1995 at 1:30 p.m.

Members Present:

Doug Rothwell, Chairperson
David Porteous, Vice Chairperson
Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached)
Mark Hilpert (acting for and on behalf of Douglas Roberts, authorization attached)
William LaMothe
John McCormack
Elizabeth McDermott (via telephone)

Members Absent:

Mark Murray

Others Present:

James Donaldson, Michigan Jobs Commission
Catherine McClary, Michigan Jobs Commission
Doug Stites, Michigan Jobs Commission
Kim Davis, Gelman Sciences, Inc.
Karen Radtke, Gelman Sciences, Inc.
Bob Buker, Gelman Sciences, Inc.
Mike Shepers, Scio Township Manager
Susan Lackey, Washtenaw Development Council
Larry Lee, Gongwer News Service
Mr. Johnson, Associated Press
Carole Sorenson, Michigan Jobs Commission
Jim Paquet, Secretary, MEGA Board
Diana Burns, Michigan Jobs Commission

Call To Order

The meeting was called to order by Chairperson Rothwell at 1:40 p.m.

Adoption of Minutes from July 26, 1995 Meeting

It was moved, supported and carried that the Minutes from the July 26, 1995 meeting be adopted.

Public Comment

None

Action Items

Gelman Sciences, Inc.
600 South Wagner Road
Ann Arbor, Michigan 48103-9019

Chairperson Rothwell gave a brief summary analysis of the impact of the proposed expansion of the production lines at the Ann Arbor location. Gelman currently has 546 employees in Michigan.

Total Jobs Created	336 jobs
Direct	150 jobs
Indirect	186 jobs
Net Positive State Revenue Impact	\$ 12,455,000
Revenue Foregone	\$ 3,916,000
Revenue Gain	\$ 16,371,000
Average Wage	\$600/week
Personal Income Generated Over Life of MEGA Agreement	\$204,637,000

Chairperson Rothwell then introduced Jim Donaldson of the Michigan Jobs Commission.

Mr. Donaldson first introduced Carol Sorenson, Michigan Jobs Commission. He then introduced Mike Shepers, Scio Township Manager and Susan Lackey, Washtenaw Development Council and asked Carole to introduce the principals of Gelman Sciences, Inc. to the Board.

She introduced Mr. Kim Davis, President and CEO; Ms. Karen Radtke, Treasurer; and Bob Buker, Vice President Corporation Communications.

Mr. Donaldson presented a summary of the proposed project.

Project Description

Gelman Sciences, which currently has headquarters, production, and warehousing operations in Michigan, is experiencing increased demand for certain of its products, particularly its adult IV and spiral pack filters which are used in laboratory applications. As a result of this demand, the company is considering expanding several production lines in Scio Township, Michigan. The competition for the expansion is with Pensacola Florida where the company currently has production facilities. The expansion will result in the company investing approximately \$16 million, in addition to creating 150 new jobs in 3 years. If the company locates in Michigan it will renovate its existing facilities. If it locates in Florida it will build an addition to its existing facility. The State of Florida has offered infrastructure grants, a tax abatement and job training as an incentive to locate in Florida.

Benefit to State

Based on the economic analysis done at the University of Michigan, the project will generate an annual payroll of \$4.7 million at full production. In addition to the 150 new jobs at the project, 186 spin off jobs will be created for a total of 336 jobs over the 15 year life of the MEGA award. Personal income generated as a result of the project would exceed \$200 million and net government revenues would increase by \$12.5 million.

Cost Analysis

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Pensacola, Florida, and Scio Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Gelman Sciences Inc. to locate its expansion in Scio Township, Michigan, rather than Pensacola, Florida, ranges from \$457,000 to \$1,065,000 per year over the term of the incentive. The cost differential is primarily attributable to higher labor costs and tax costs. The wage differential between the states is 20 to 25 percent and Florida has no corporate tax.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, a MEGA tax credit has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

Staff Recommendation

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 15 years. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for a period of 5 years for up to 150 new employees.

Mr. McCormack asked why the number of manufacturing jobs declined in the later years of the REMI analysis. Mr. Rothwell responded that the decline was due to a reduction in spin off jobs after the company had made its capital investments and construction had concluded.

Chairperson Rothwell stated that the Executive Committee met on August 15, 1995 and recommends that the credits be awarded.

Mr. Porteous indicated that he believed it was likely that the company would locate the operation in Florida were it not for MEGA.

Member McDermott indicated her support of the recommendation.

It was moved and supported that Resolution 1995-008 awarding tax credits to Gelman Sciences, Inc. be adopted.

ADOPTED:

AYES: Doug Rothwell, Phil Kazmierski (acting for and on behalf of Patrick Nowak, authorization attached), Mark Hilpert (acting for and on behalf of Douglas Roberts, authorization attached), William LaMothe, John McCormack, Elizabeth McDermott, David Porteous

NAYS: None

Next Meeting

Chairperson Rothwell indicated that the Board has received at least one application to be reviewed at the next meeting

Mr. Paquet stated that the next meeting is scheduled for September 12, 1995 but this date may have to be pushed back.

Adjournment

The meeting was adjourned at 1:40 p.m.