

ADOPTED MINUTES

A meeting of the Michigan Economic Growth Authority (MEGA) was held at the Michigan Economic Development Corporation, 300 N. Washington Square, on September 16, 2003, at 10:00 a.m.

Members Present

Cullen DuBose

Bo Garcia

David Hollister (acting for and on behalf of Mitch Irwin, authorization attached)

Denise Ilitch

Faye Nelson

Scott Schragger (acting for and on behalf of Jay Rising, authorization attached)

Jackie Shinn (acting for and on behalf of Gloria Jeff, authorization attached)

Others Present

Al Aceves, Deloitte & Touche

Mark Adams, Oakland County

Peter Anastor, MEDC

Joan Anderson, Controller, Pilkington North America, Inc.

Robert Babcock, Mgr. of Corporate Affairs, Hyundai America Technical Center, Inc.

Dawn Baetsen, Deloitte & Touche

Amy Banninga, MEDC

Kathy Blake, Sr. V.P., MEDC

Dr. Won Suk Cho, President, Hyundai America Technical Center, Inc.

Skip Cline, BorgWarner, Inc.

Jim Donaldson, MEDC

Frank Ferro, MEDC

Jeff Kaczmarek, MEDC

Kathy Kleckner, MEDC

Carol Knobloch Johns, MEDC

Susan McCormick, MEDC

William McFarlane, Superior Township Supervisor

Brenda McKinney, Superior Township Treasurer

Pauline Millichamp, MEDC

Mark Morante, MEDC

David Munson, Village of Clinton

Jim Paquet, Secretary to the Board

Mike Pohnl, MEDC

Larry Pollock, Plant Manager, Pilkington North America, Inc.

Matthew Rick, Assistant Attorney General

Tim Robinson, Manager, Washtenaw Development Council

Daniel Roof, Controller, Hyundai America Technical Center, Inc.

Jeffrey Sands, MEDC

Tom Schimpf, Assistant Attorney General

Vern Taylor, MEDC

Mark Torigian, Secret, Wardle, Lynch, Hampton, Truex & Morley, P.C.

Call to Order

David Hollister called the meeting to order at 10:15 a.m.

Approval of Minutes from August 26, 2003

A motion was made, supported and carried that the minutes from the August 26, 2003 meeting be adopted.

Public Comment

There was no public comment.

ACTION ITEM

BorgWarner, Inc.
200 South Michigan Avenue
Chicago, Illinois 60604

Kathy Blake introduced Skip Cline from BorgWarner, who talked about the company's proposal to relocate its corporate headquarters to Auburn Hills. Ms. Blake continued by explaining that BorgWarner is a leading global supplier of highly engineered components and systems for vehicle powertrain application. Currently, BorgWarner has nearly 1,000 employees working at five locations in Michigan.

The project would lead to 80 new jobs in the first year, with 10 additional jobs added over four years for a total of 90 new positions in Michigan. Initially 65 positions would be transferred from Chicago and an additional 15 positions added due to growth. The positions pay an average weekly wage of \$1,926.

The company would lease 40,000 square feet in a newly constructed facility in Auburn Hills. Total capital investment for the project would be approximately \$8.9 million, including \$7.7 million for capitalized lease costs and infrastructure improvements and \$1.2 million for new computers and office furniture. Construction on the facility would begin in the spring of 2004, with construction completed by early 2005.

It is estimated that this facility will generate a total of 146 jobs in the state by the year 2015. Total state government revenues through the year 2015, would be increased by \$7.3 million due to the presence of this facility.

As part of the company's decision-making process, BorgWarner compared the costs of remaining in Chicago with moving to Auburn Hills. BorgWarner estimates relocation costs at \$2.9 million, with an additional expense of \$850,000 to recruit and hire new employees. In addition, the company has a lease termination fee of \$1.8 million. The state of Illinois has also offered tax credits in the amount of \$1.1 million to maintain and grow the operations in Chicago.

The City of Auburn Hills approved a 50 percent abatement of the company's new real and personal property related to the project for eight years. The value of the abatement is estimated at \$686,200.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 90 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report, recommending approval by the MEGA Board.

Jim Paquet pointed out a typographical error in the Resolution. A date correction was made, changing the beginning date of the tax credit for the company to no later than December 31, 2006. Hearing no further discussion, a motion was made and supported, and Resolution 2003-28, approving a MEGA tax credit for BorgWarner, Inc., was adopted.

ACTION ITEM

Pilkington North America, Inc.
11700 Tecumseh-Clinton Road
Clinton, Michigan 49236

Jim Donaldson began this presentation by introducing Larry Pollock and Joan Anderson from Pilkington North America, Inc. (PNA). PNA was formerly known as Libbey-Owens-Ford Co. (LOF). PNA is engaged in the manufacture, fabrication, sale, and distribution of glass, primarily for the automotive and architectural markets.

PNA Clinton manufactures automotive glass, which includes hardware attachment and RIM encapsulation of fabricated automotive glass. Currently six products that require hardware attachment are produced in PNA's Shelbyville, Indiana facility. The proposed project would transfer these products to Clinton, Michigan in an effort to consolidate operations.

If PNA selects Michigan, the project is expected to result in the creation of up to 81 jobs over the first five years with an average weekly wage of \$396. PNA will invest approximately \$3.2 million to move \$1.2 million of equipment from Indiana to Michigan, build inventory before the transition, and train new employees.

It is estimated that this facility will generate a total of 252 jobs in the state by the year 2013. Total state government revenues through the year 2013, would be increased by \$6.9 million due to the presence of this facility.

As part of the company's decision-making process, PNA compared the costs of moving the production to Clinton versus keeping it at their facility in Indiana. Moving the project

to Michigan creates additional freight expense. This differential is estimated to be at least \$100,000 per year once the project is fully staffed.

David Munson, President and CEO of Lenawee County Chamber of Commerce, was present and expressed enthusiastic support for this project on behalf of the community. The Village of Clinton approved a 50 percent abatement of the company's new personal property taxes for 12 years at their September 3, 2003 city council meeting. The tax abatement has an estimated value of \$90,000.

Recommendation

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for five years for up to 81 net new employees, followed by a 50 percent employment tax credit for the next five years for up to 120 net new employees.

Board Discussion

Bo Garcia gave the Executive Committee report and recommended board approval.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-29, approving a MEGA tax credit for Pilkington North America, Inc., was adopted.

ACTION ITEM

Hyundai America Technical Center, Inc.
5075 Venture Drive
Ann Arbor, Michigan 48108

Kathy Blake introduced Dr. Won Suk Cho, President of Hyundai. Ms. Blake also introduced William McFarlane, Superior Township Supervisor. Mr. McFarlane expressed community support for the project. Hyundai Motor Company is South Korea's leading carmaker. Hyundai America Technical Center conducts emissions testing, engineering, research, development and design for Hyundai and Kia automobiles. Hyundai America Technical Center is currently headquartered in Pittsfield Township, Michigan, where 41 associates are currently employed.

Dr. Cho discussed the proposed relocation and expansion of the North American headquarters of Hyundai America Technical Center. The facility will also conduct research, development, design engineering and emission testing for Hyundai and Kia automobiles. The project would locate in a new 168,000 square foot expandable technical center to be constructed in Superior Township. Hyundai would add 63 new jobs in the first year of the project and 400 new jobs, in two phases, over five years, paying an average weekly wage of \$1,457. The project would include the transfer of 41 existing workers from Pittsfield Township.

Capital investment for the project would total \$117.3 million for both phases, including \$72 million for land, site preparation and building costs and \$45.3 million for new

machinery, test equipment and furniture and fixtures. Construction on the facility would begin this fall, with operations commencing in the spring of 2005.

It is estimated that this facility will generate a total of 751 jobs in the state by the year 2024. Total state government revenues through the year 2024, would be increased by \$80.8 million due to the presence of this facility.

Hyundai America Technical Center has the option of locating this expansion near its manufacturing facility in Alabama. Alabama has aggressively recruited this project, offering numerous incentives, including free land and site preparation, property tax abatement, and tax credits, including the Investment Tax Credit. In addition, the company found that wage rates were about five percent higher in Michigan, leading to a wage differential of more than \$2 million a year when the project is fully staffed.

On August 4, 2003, Superior Township approved a 50 percent abatement of the company's new real and personal property taxes related to the project for 12 years. The estimated value of this local abatement is \$6,448,200.

Recommendation

The Michigan Economic Development Corporation recommends a high-technology business activity credit of 100 percent for three years on up to 225 jobs; and a high-technology employment credit for 20 years with a credit of 100 percent for the initial 10 years and 50 percent for the second 10 years on the first 225 jobs created, and a credit of 100 percent for all 20 years on jobs 226 through 400. The company will not be eligible for the employment credit on jobs 226 through 400 unless it has made an investment of at least \$35 million in the project.

Board Discussion

Bo Garcia gave the report of the Executive Committee, recommending that the requested tax credits be approved.

Mr. Hollister asked if there was anything unusual about the resolution. Mr. Paquet pointed out that tax credit will begin no later than December 31, 2006 rather than in 2005 as was stated in the proposed Resolution.

Hearing no further discussion, a motion was made and supported, and Resolution 2003-30, authorizing MEGA tax credits for Hyundai America Technical Center, Incorporated, was adopted.

The meeting was adjourned at 10:45 a.m.

The next meeting of the MEGA board is scheduled for Tuesday, October 14, 2003.