

BIG RAPIDS CHARTER TOWNSHIP BOARD
SPECIAL MEETING MONDAY, FEBRUARY 13, 2023
MECOSTA COUNTY SERVICES BUILDING
14485 Northland Drive – NORTH ENTRANCE DOOR 3
7:00 PM
APPROVED

PLEDGE OF ALLEGIANCE.

CALL TO ORDER: 7:00 p.m. ROLL CALL: Stanek, Saez, Currie, Bean, Everett, Routley present. Geib absent.

This special meeting was called by Everett and Bean.

NEW BUSINESS:

*Explanation for why we're waiting for public comment until after our two guests have spoken. *

1. Michael LaFaive presentation

Michael LaFaive is senior director of fiscal policy for the Mackinac Center for Public Policy, where he has worked for more than 27 years. He is the author of hundreds of essays, opposite editorials, blog posts and more than a dozen studies on fiscal policy topics, including those on state and local economic development incentive programs. His 2020 study, titled "Economic Development? State Handouts and Jobs: A New Look at the Evidence," examined more than 2,300 state incentive deals across nine program or program areas in Michigan back to 1983.

Michael speaking - This subject is on a lot of minds because of the prospective Gotion plant and incentives that come along with it. Let's discuss Michigan specific operations. Fiscal incentives to have a company perform/industry.

Key economic/other findings on incentive programs. States and programs approve tens of billions of dollars each year. Studies show that they are ineffective at raising economic growth in an area (on net balance). The money is used to incentivize other industries - why many have failed. Common arguments made - alternative strategies adopted in the area. Many incentive programs over the years - first of modern era Mississippi - hope of alleviating unemployment during the great depression. Academics across the country have had time to dig into these programs and provide studies.

University of Iowa - categorized the studies - conclusion - the failure of economic development incentives. Concluded the most fundamental problem - most officials believe they can influence their audience beyond most optimistic results.

A 2019 study grabbed a database of economic development deals from 35 states - 2400 deals able to track employment at firms after deals had been struck - to show whether or not employment would increase. Concluded - starkly negative employment impact between subsidies for big business. Like unsubsidized companies had faster rates of employment growth.

With 2300 incentive deals specific to Michigan, in 5 program areas with 0 impact. Couldn't measure in pos/or neg way. In 1 category findings were negative - employment dropped. In 3 categories positive impact. Incentives were so large to create a job that it made the cost outweigh the benefits.

The state had to offer 125k per year per job in incentives. Cost > benefits. Highest profile program - one area where we found no jobs impact was w/ respect to ren zones. Looked at about 4 companies. 2005-2016 4 other MI specific ren zone studies done by MI people - 0 to negative impact from programs. 2005 study grad @ western MI - zones not much impact at all in employment except for small firms. Net decline in wages associated with the ren zone - MSU study not positive

Lansing - instead of ren zones - same amount of incentives but rolled back business tax by equal amount. Would have been a better approach and 12k more jobs would have been developed.

MI spec studies - targeted tax abatements. MSU economist /Wayne state looked @ targeted abatements in industry. Found that local gov that did not abate, was as likely to experience growth as those that did.

Programs found to be ineffective - Government involved in transfer of wealth more than creation of new wealth. Hard to hope that things will win economically than if left untouched.

Frequently new jobs created and reported by state don't subtract for workers that were pulled from existing employers in the area. Imposes real cost on the economy. Movement must be up in terms of benefits. Could impose job killing. Mega issues and states will trumpet them - same company asking for amendment to deal because economy was so good that they couldn't find employees to fill jobs and receive credits for tax deals.

State uses the "but for" argument - this company would have never come - 75-98% of relocations by companies would have happened without the incentive. Up to 98% of these deals result in windfall profit for companies at taxpayer's cost. Legislation - state compact to pass legislation to all eliminate incentives at same time. The bill was buried in committee.

Alternatives? Mundane. High quality/more public services. Looked at many things linked between economic areas. Most positives involved general government and public safety. The factors most consistent are investments in the downtown and spending on basic local public services.

2. **John Mozena Presentation**

John Mozena is the president of the Center for Economic Accountability, which is a nonpartisan group that works for transparency, accountability and market-based reforms of state and local economic development programs across America. Over the past two years, he's been quoted in the media around the country at least once a week on average talking about economic development policy issues. He's also been on both sides of this discussion, as before he got into public policy, he spent 20 years in private-sector roles that put him behind the scenes of economic development deals, including projects like subsidized battery factories and auto suppliers.

John speaking - Lots of people here. This is a sign of a community that people care about - what matters from an economic development perspective - was at a conference last year - researcher that presented about whether or not a rural area - is it a place people care about and are proud of living? I'm not an economist. I talk to them so you don't have to.

Short supply around this project - in terms of context, wanted to offer what we could. Evidence that deals don't work on a general level. If they don't work, why do we keep doing them?

One The hard truth at the end of the day they don't exist to create jobs - they exist to make people think that politicians create jobs. 55% of Americans believe that subsidies pull other jobs. You don't have to read the studies to understand that this doesn't work - you just have to pay attention. Politicians may have good intentions, but still fall prey to inability to make a better decision than the market process. If they were able to figure out which companies and technologies were able to be successful, they wouldn't be making civil servants in Lansing - they'd be making billions on wall street.

Let's assume that this time they get it right. That everything promised will work. What does that look like? North Star's goal is to create 100k jobs over 5 years. How many workers in the State of MI? 4.9 million - about half the population of the state in the workforce. Imagine the economy is a football stadium full of fans. Adding 100k is equivalent to 125 fans at FSU stadium. 2200 at UofM. Not "nothing" but anyone that spends time around football knows that things will fluctuate by multiple factors. Just like an economy where 100k jobs isn't "nothing" but the state's economy is going to fluctuate by way more than that by all given factors. That's only if we ignore all research and studies revolving around these incentives.

You cannot talk about economics because they don't change strategy based on economics. Evidence - why do states see large jumps in subsidized deals? Governors running for re-election are twice as likely to see an increase in these deals.

A 9% shift by voters will win you a lot of elections. We don't talk about downsize, negative impacts of messing with an economy like this. More on subsidies less on roads/schools. Less entrepreneurship. Cheaper to hire lobbyist's than scientists. Billions of dollars ripe for public corruption. Cultural environment of secret sales.

We stopped at MI strategic fund meeting and within a half hour and only me with public comment - State found out on Friday, voted on today - last year testified to MI state senate's economic development committee - to be blunt these bills will have to be practical 32.30 - next day email from MEDC staffer - nothing you said was incorrect, I don't find it offensive to call the soar fund what it is. People care about making the place they live a better place to live. Officials who don't care and some who do. Happening to the community not for the community in my opinion. Grateful for all to be here.

Questions from the board members:

Everett - Commonly asked by the public, if money is there why don't we take it?

Answer: No such thing as a free lunch. Going to cost someone something, some way. If a company needs to find employees - might go to your business and recruit one of your employees that you trained to work for them. Certainly, one that affects you and the local economy and larger state. Always the real risk that it doesn't work out.

A lot of people are familiar with Foxconn. Famous case that allowed for them - the project never got built. The Supreme Court said you can take someone's house away from them for economic development. Almost more uncommon for a project to go off unlike supposed to but a lot of risk. This project - however it gets funded, would impose costs on the community, also benefits. But the question is on a free lunch - paying their own way as everyone else without the cost incentives.

Mega program - only 2.3% of jobs promised came to fruition in a basic economy. Might have created jobs but only 2.3 of deals where jobs were delivered in the time frame that had been promised.

Currie - in one of the analogies - unfunded companies grow faster than companies with incentives?

Answer - this is a fact drawn from a study called striking a balance. The bigger the company was the more starkly, negative impacts. Suggestion John has seen - if a company has a business decision changed by subsidy, not going to the best place to do business. Ford's now doing business in the second-best place (Unapproved by the Governor in Virginia).

Each year they are surveying on where to put factories etc. Every year local incentives come in 8-12th, way below skilled workforce ability, energy costs/availability. Really fundamental questions on deciding where to do business.

Currie - Also mentioned companies that get incentive and for whatever reason not able to live up to obligations because they can't fulfill. Where do funds go?

Answer - Back to MSF. A large number of companies ask that deals be amended. Claw backs are lenient - They never get to that stage and the company sees it coming before it happens.

Saez - A large divide currently amongst the community - this will create so many local jobs but from the get-go they've announced this study in regards to this 50-60-mile radius that they plan to fill employment with - can you expand on those studies/claims?

Answer- Very possible jobs may come from outside of the community but other employers may face the same cost, outside of the area. The state used to mandate that there be a report of where the workers came from because of this exact question. Data stopped appearing. Employees were not coming from out of state - being taken very locally. Can't predict where they will take it from but reports by those seeking incentives are often prepared before seeking incentives so they have some type of form showing positive benefits. Cheaper to subsidize someone rare than to find a bunch of skilled workers sitting unemployed. Not hiring off of unemployment, hiring those from different employers.

Saez - Follow up - another impact on Increase enrollment/retention in the area with FSU? Seem to know about many studies - any knowledge on that?

Answer - No evidence right away - one cautionary tale - Foxconn promised \$10 million to the community. A relation to workforce and skilled development - Amazon ended up where they are with a relationship with tech colleges and communities there. Interesting question to look into more

Saez - Recently another person raised a point to me recently - there are some good things to come from these subsidies, for example, other companies having to raise their wages to compete. Do you see that often in these studies or possibly alternative - factories shutting down or relocating?

Answer - There is going to be an Economic relationship - dynamic between a plant that shows up and moves to hire other workers. I don't know if I often see a movement upward for all of the local employers. Failure to do so but specific instances that don't apply because overall salaries were lower. Would need a lot more data and time to analyze.

Public comment:

Mark Bloxon - Big Rapids - listened tonight and I've heard one side. If transparency means anything I believe there would be someone here with opposite views. Why not make it objective.

Answer - There have been those meetings - FSU, the right place. This is an open public meeting. Anyone welcome.

Fred Guenther - In 90's Hayworth put together package - Mackinac center put together package - success story that you didn't mention. Do these analyses of one company at a time - much better off if the free market made decisions.

Answer - At least ¾ of the time companies would have done the exact same thing without the incentives. Just because factories were built does not mean subsidies are what did it.

Brad Austin? - Reed City - isn't this true if this plant doesn't locate here, isn't it going to be in another state? If claw back is a problem, then maybe we should have some really harsh claw back rates. What's the multiplier rate?

Answer - There are negative multipliers too. 3.1 is the multiplier - research says you should be careful of

Lee Johnson - Big Rapids - begs the question - can we say no to the subsidy and still ask them to come?

Answer - There's an example of how the local government must have contributed to that incentive package. Local government said no and they located in the same location anyway - great example of that - Amazon and HQ2 - great example for how little subsidies matter. Amazon is a great example on not taking subsidy. In New York but then went on to purchase a large building - didn't take subsidy because they didn't want politicians to have that leverage over them.

Deborah Diegert - Doesn't government far exceed any other business. It does not produce money - takes money. Michigan is desperate - our state needs income. Having the tentacles of a state controlled and in the hands of communist ties. The mining/child labor/lithium is so heavy. Farming community is not set up to handle this.

Tim Blakeman - FSU grad - Guenther I know you want what's best for the community - but we do have an example that went haywire and that's Ice Mountain. Everything was going to be great. Wells started going dry - 60 jobs offered when 350 were promised. Piping water in from other locations.

Chuck Healey from BR - Parallel situation happened with A123 systems that was also a battery manufacturer - that situation failed and Granholm was asked how much money was paid to mega through that and her response was that there was secrecy involved and do those laws still exist?

Answer - there is a ban on secret deals coalition - made illegal at state level. The Mackinac center has taken the state to court over provisions. Adopted a handful of lawmakers that all signed NDA's and lawmakers themselves may not have known who/what deals were. Not until the day of approval did, we learn where the parent company was recently in Escanaba. Give the public time to absorb information before it takes place. Hurt many people in WI.

Tracy Ruelle- (to Everett) can you please clear up that MEDC has not been to the meetings - only the September meetings? We want questions to be directed to the presenters.

Everett - the MEDC is not here tonight. Confusion amongst many the transposition of MEDC/MCDC. Public meeting - we aren't required to make individual invitations.

Tracy - Isn't it true that when other businesses open up that those positions will be filled because other jobs open up other jobs. These incentives are the law of the land and whether or not BRT chooses to approve this, will it be spent somewhere else?

Answer - Each fund has to be signed off by the legislature/appropriations committee. There is no law requiring that just money in the soar fund will be spent. Every specific single fund must be approved. State legislature must vote to disburse funds.

Unknown member of audience - Is there a reason we keep talking about giving money when it isn't outright giving? Directly do they get a check?

Answer - the first part of the soar fund will cut a check to the company about 125 million (will double check that number) and the other 50 million through the right place. Haven't gotten money from taxes on property now so not giving up anything.

Patti Downey - Big Rapids - lots of different studies - where could I research studies - really curious about the Hayworth thing - hardly anyone there when I have tried to contact them - I'd like to do some more research. The MI strategic fund meetings - are those open to the public? How do I find them?

Answer - all studies can be provided by us after the meeting - lots of printouts on table. Mibusiness.org - MI strategic fund - by the time you get there it's just a vote and all the work is done beforehand. At risks of a little self-advertisement studies that I've referenced - links of all on economicaccountability.org MI strategic fund meetings on zoom - type in MI strategic fund board packets - will get agenda and all documents on deals. Most recent studies from 2020 - literature review with all studies and can provide if interested. Mackinac center has an old mega database. Used to publish on every single megadeal.

Joseph Cella - Appreciate economic context with how national security context might come into play - Calhoun County with CATL - has the board considered the standing national intelligence law in China that their subsidiaries here don't have to comply with? - to protect our national security - done to protect threats - in this case could be China. Anything come across - any petitions?

Answer - Michael - I have seen nothing but we focus on the economics of it, less concerned with where parent company might be than risk and costs.

Response - Aren't there economic costs related to national security?

Answer - Michael - we recognize it but we don't necessarily take it into consideration in studies.

John Holsworth - I share concerns but one that you may not know - MLIVE Jan 29th - cyber security program and accessing satellites - not just balloons. What kind of economic tragedy could that be?

Answer - Michael - a lot that could go wrong - not purview of our state-based tank.

Deb Magnusen - I am 4 miles from where Gotion may be - What will something like this do to small businesses in the community?

Answer - Depends on economic development incentives and the company itself. Small retails closing from larger firms coming to compete. Kogel? One of Flint's only growth industries. CEO hears state has given subsidy to move to MI to compete with him. Still a thriving company but he, like others, makes you wonder who you're working for when the State is trying to lure competition. One argument is - the competition is coming anyway - then why do you need to subsidize them? Fundamental unfairness that's not mentioned enough. General research - crowded out by bigger businesses.

Joe Bechaz - Hayworth, a part of the community for over 70 years. Also, a family-owned business. They did take over a factory that failed and received incentives - let the city take over property for those incentives. They left this town thousands of sewer and water bills. Can't go after them - how do they get the money back? Does it go to China? Because when they go, they're gone.

Answer - if the companies don't comply - MEDC claw back - 2 million dollars - firm went into bankruptcy - went back and hired CEO of biogenic and asked for \$\$ There was Hayworth op-ed in Detroit News not to create soar fund with Devos - against these deals.

Tom White - gist of this - you don't think we should incentivize this - we'd be glad to have you come but we don't want to give away incentives?

Answer - We could revoke ren zone/lease land - have discussed options but informed via MCDC that they would likely not be interested.

Currie - presenting information about Gotion ownership - As an elected official - I am disappointed in the actions of our supervisors - publicly stating that this is not a Chinese company - some have deceived our residents with the simplest answers. How can they trust we will get the rest right. Wasted so much time and energy trying to get this right. I would like to thank those for the comments, questions and answers.

One more question to ask the board - some new information has come to light. Would the board allow me to present it?

Bean - I move that we allow Penny to make her statement - Everett supports.

Currie - on Sept 15th of 2022, shortly after public announcement of the company interested here, and 7 days after asked to approve of the Ren zone, Biden authorized a committee to revise certain transactions by foreign purchases - in order to look into national security. Committee on foreign investments in the US - firstly have we done due diligence by a CFIUS review - if we have this executive order in place and we do not utilize it - why not? As American citizens our credibility is scrutinized when we try to purchase something, why isn't theirs?

Bean - I'd like to make a motion to request a special meeting to add that to the agenda - let's have a special meeting Wednesday to address this issue. Currie supports. Wednesday at 7pm.

PUBLIC COMMENT:

Tom White - I heard that BRT is still talking about Gotion and Green Twp has already okayed the project and if we don't okay it the project will likely move to Green Twp - we will still have traffic and possible pollution and other issues?

Stanek - they've said it's as far as I know. If we turn it down, they can do whatever they want.

Tracy Ruelle - reiterates statement and accuses it of being read wrong

Currie - document is online and everyone can read and interpret it how they want as Tracy has

Brad Lubahn - Have been to 3 meetings now - respect everyone here. We voted you all in as Twp Board to represent us- ask that you have closed meetings to only residents.

Stanek - will have to talk to attorney; don't believe we can.

Unknown member of audience - Worked for United Solar in Greenville. Then the Governor gave a great big subsidy to another company to make solar cells. United solar then closed up. - in the form of a question - Why is MI saying let's start a large company in batteries - will both succeed in MI when there is no lithium? Whether or not we want to take that risk?

Lee Johnson - Owns Johnson's automotive - biggest concerns about business is taking my employees - highly trained technicians that can work on anything - worry about Gotion coming in here and taking a handful of my guys that I've spent many years of my life training and getting them to speed. A lot came with training - if Gotion was here and if the job looked easier, they would walk. Very concerned about that. Not able to train people after people. Spent almost 20 years building a company. Business has been successful for me - umpteen number of hours. When you hand out subsidies like this - they don't need to hire what they said they needed to hire.

Unknown member of audience - Curious about Battery facilities being built in proposal - 7 of them in metro Detroit - 10 in Canada, none up here. Report made Feb 4th 2023 - proposals go down Mississippi river - obvious reasons. Kentucky building one right now. Question - is MIT studying this? Only way this will work is if they figure out how to replenish batteries once gone - other options for nickel/lithium for batteries. One plant in the US - in UTAH - not confirmed - How do we fit in here with getting supplies that other places are building - they do it for Ford/big 3. How will we compete?

Mel Schneider - The thing that scares me is to put the responsibility on the board to make that decision - scares me worse - only 80 people in here. Another 10k to vote on something that they don't know anything about. Afraid of putting it out to the County/Twp to vote on something they don't know anything about. Stuck with whatever that vote is. A lot of really good comments. Maybe Lee Johnson should join in on a board to join in on such large decisions.

Skylar Pipe - BRT - concerns that if plant goes in about when it may go out - if that's being considered?

Ladeanna Smalley - Has any other company contacted our board or anybody in this area to see if they could possibly come here if Gotion does not come for a ren zone?

Stanek - at this point no.

Judy Nelson - We live right behind airport - many concerns with contamination - 2 new wells if something does go wrong ...

Saez - Updated list of questions formed with our attorney and engineer is on our website. Wells/water/environmental concerns all listed. Any questions you don't see - please provide so we can include them.

Bean - first time questions provided directly to Gotion - never have had opportunity to sit down across the table from Gotion.

Mark Watson - correspondence - survey question? Lives in city and did not receive survey.

Saez - Explanation on why sent to Registered voters so that those with multiple parcels didn't receive multiple surveys. We include any correspondence we receive in our board packets. If you would like someone to reach out, we will.

Todd McClain - Why BR particular? Why chemical plant in Muskegon River watershed - huge watershed people - wolverine in Rockford - still dealing with mess - makes Flint look like tiny affair - wealthy area still suffering.

Currie - multiple states chosen - dwindled to be a finalist because of vote on Ren zone and large incentive package.

Unknown - Original intent for developing industrial park? To sell to a foreign country? Difficulty with that.

Joe Bechaz - on Twp board when we created ren zone - to bring quality jobs healthy for our community. There were incentives but nothing like this - not my term but they have turned down other businesses that might not have had criteria for it. Applaud board for doing due diligence - taxpayers - could be educated through some flyers/questions and answers.

Unknown - Gotion was specifically interested in wanting to be along waterways - apparent they want to be around waterways. Product to transport.

Paul Griffith - speaking as prior president of BR industrial development corporation - this evening we've heard about many incentives over the decades. One local example - Hayworth Proposed program; went to meeting - Hayworth impacts on community. Spoke of average of jobs.

Thank you to John and Mike for information/questions

4. ADJOURNMENT: 9:17pm

Big Rapids Charter Township will provide necessary and reasonable auxiliary aids and services, such as signers for the hearing impaired and audiotapes of printed material, if individuals with disabilities, upon five business days' notice to the township. Individuals requiring auxiliary aids or services should contact Hannah Saez, Big Rapids Charter Township Clerk, 14212 Northland Drive, Big Rapids, MI 49307- call 231 796 3603 or fax request to 231 796 2533.