

# Oakland opts for EDC hook

By TOM LONERGAN

Oakland County is bidding for new, medium-sized businesses through an economic development corporation which can loan a firm up to \$10 million.

The county board of commissioners voted 20-7 last week to establish an Economic Development Corporation (EDC).

Through EDCs, industrial and commercial businesses can borrow capital improvement money at interest rates 2 to 3 percent lower than the going market rate.

An EDC issues low-interest, tax-exempt bonds on behalf of a business. The reason for the lower rate: A bank's interest income from the bonds is exempt from federal income taxes.

Under a six-year-old state law, local governments can establish EDCs to attract new businesses and promote business expansion.

"This is not going to change the private enterprise investment development system except to provide incentives," said Commissioner Robert Gorsline, R-Milford.

VOTING FOR the county EDC, which could be operating by April, were area Republican commissioners G. William Caddell of Walled Lake, Henry Host of Troy, Paul Kasper of Bloomfield Hills, John McDonald of Farmington, Joseph Montane of West Bloomfield, John Peterson of Roches-

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— Daniel Murphy  
County executive

ter and Lillian Moffitt, Ralph Moxley and Robert Page, all of Birmingham.

Seven board Democrats opposed the EDC, including Alexander Perinoff and Lawrence Pernick, both of Southfield.

"What are we going to do (with an EDC)?" Perinoff asked. "We can't force any program in a community. Eventually it (the county EDC) is going to be a great big department."

County Executive Daniel T. Murphy, who will appoint the EDC's nine-member board of directors, said the new agency won't "need its own department."

"If it grows, it's going to pay for its own operation," said the Republican county executive. "I don't see any outlays," but Murphy added that doesn't "preclude seed money."

MURPHY SAID General Motors, which recently announced plans to transfer several of its auto assembly operations from Pontiac to Orion Township, hasn't asked the county for EDC financing.

Many corporations in Michigan now seek "incentive packages" from local



governments, including industrial or commercial tax breaks and EDC financing.

"EDC has a \$10 million limitation (the top amount of bonds it can issue)," Murphy said. "The project out there is \$300 million."

Most board Democrats see the county EDC competing for the same businesses as local EDCs, like Southfield's. The Democrats also oppose giving Murphy carte blanche authority to name the EDC board, even though the appointments have to be approved by the Board of Commissioners.

"I really feel the advice and consent of the full board is in many cases a rubber stamp," said Commissioner Thomas Lewand, D-Royal Oak. Republicans have a 16-11 board majority.

Lewand proposed an amendment to the EDC articles of incorporation that the board of directors be drawn from throughout the county, with one member from each of nine county districts. Each district would include three county commissioner districts.

HOWEVER, Robert Allen, the county's lawyer, ruled the articles of incorporation had to be defeated before Lewand could propose his amendment.

With no limitations on how the EDC board would be appointed, Lewand said, "it could deposit all the power of economic development in the hands of one special interest group in the county, regardless of who the county executive is."

Creation of an EDC was first proposed by businessmen affiliated with the North Oakland Chamber of Commerce.

Besides Southfield, other local governments in Oakland County with EDCs include the cities of Pontiac, Rochester, Farmington Hills and Northville and Avon, Waterford and Pontiac townships. An EDC in Birmingham is being considered.



market watch

John Vernier

## Stock show rivals thriller film script

The most imaginative Hollywood writer could not possibly have written a more exciting script than what has been produced by the stock market over the past several weeks.

While the market's early strength was mostly attributed to conditions evolving from the Iranian and Afghanisthan situations, it now seems clear that the advance has been related more to the strength of gold and silver prices.

Other than a few defense stocks and certain other individual situations, the dominant areas of strength have been in oils and metals.

Whether this ebullient market performance by the natural resource stocks is an omen of economic good or bad will have to wait until sometime in the future to be determined.

THE MAJORITY of analysts seem to agree that most of the stocks that are performing so well are doing so only because they have finally been recognized for the values they offer.

They argue that the market had ignored the huge intrinsic values that exist in these stocks.

Unlike most other areas of the stock market where stock prices are based primarily on the current and projected earning power of the companies, companies that own huge deposits of natural resources — particularly oil and metals — should be appraised on the basis of the value of resources still in the ground.

Since this approach is based upon simple logic, it is likely to meet with increasing acceptance.

As it is accepted by more and

more investors, its ultimate influence on the market prices of the stocks involved is impossible to determine.

It could very well be the dominant market influence for some time to come.

STOCK MARKET analysts are constantly searching for new statistical compilations that could serve as lead indicators that might help in predicting the direction of stock prices.

While the various forms of available data are virtually endless — ranging in nature from the size of the GNP (gross national product) to the length of women's skirts — the statistic having the greatest influence in recent years has been the prime rate of interest.

This is the interest rate that the major banks charge their very best and biggest customers.

The course of stock prices has been almost without exception opposite to the trend of interest rates since the cost of money became a factor in the late 1960s.

Any drastic change in the prime rate over the past decades witnessed the stock market's instant reaction, almost as a puppet on a string.

RECENTLY, however, while interest rates are still almost at their peak and some bankers are predicting even higher rates for the short term, the market has chosen to ignore the situation.

The writer is with Manley, Bennett, McDonald and Co. in the Plymouth office.

# County surplus fuels tax cut talk

Oakland County ended last year nearly \$2 million in the black, and County Executive Daniel Murphy proposes the surplus be used to cut 1981 property taxes.

Murphy asked the county board of commissioners to create a "tax reduction fund." The board's finance committee will consider the issue at its 9:30 a.m. meeting Thursday in Pontiac.

THE SURPLUS is some \$1.3 million more than the county anticipated when it prepared the 1980 budget last fall, Murphy said.

Most of the surplus "is the result of various cost reduction measures," Murphy said, which will be explained in

more detail to the finance committee.

The effect on county taxpayers "will be small," Murphy said. For example, the modest 0.08 of a mill cut in the county's tax levy for this year will make little dent, if any, in tax bills because property values are up.

The total equalized value of property in the county was \$9.8 billion last year.

"WE DON'T HAVE a good handle on what it will be for 1980," said Bill Hoover of the county tax equalization office, "but you have to assume it'll be over the \$10 billion mark, that's for sure."

The county tax rate of \$4.90 per \$1,000 of assessed property value is a

small share of a resident's total tax bill that includes local (city or township) government, school, community college and parks levies.

"I know that some persons will make strong arguments in favor of spending this money," Murphy said in a prepared speech. "I recognize that there are many new programs we could under-

take, and that each of these programs would be welcomed by certain segments of our population.

"I continue to believe that in government, thrift is the most important source of income. I might add that these kinds of things happen because sometimes the bean counters keep their eyes on the money," said Murphy, who is expected to seek re-election.

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