

# BIDCO a boost to business

■ Livonia-based Onset BIDCO is taking chances and winning on young small- and medium-sized business, and otherwise providing a boost to the state's economic picture.

By DOUG FUNKE  
STAFF WRITER

Onset BIDCO, the second Business and Industrial Development Corp. to jump into the investment arena in Michigan back in 1989, has become the first to pay a dividend to investors.

Onset, headquartered in Livonia, recently paid primary stockholders/owners Chrysler, the state of Michigan Pension Fund, Michigan Strategic Fund and Masco Corp. Pension Fund 12.5 cents per share.

The payout was some \$160,000. But perhaps more important for Onset and the small and medium-sized companies it may one day partner with loans is that a couple hundred thousand dollars were retained for future investments.

That's good news for growing companies like:

■ Advance Material Process Corp. in Wayne, which provides a technical support service for increasing the strength of metal components. Onset loaned \$1 million.

■ Intelligent Controls in Novi, which provides specialized engineering and management services and a proprietary line of test and control products primarily for the auto industry. Onset loaned \$600,000.

■ Telesource in Pontiac, which re-manufactures, repairs and sells telecommunications equipment. Onset loaned \$750,000.

No burns, yet.

The state legislature established the BIDCO concept essentially to



The team: The Onset BIDCO team, from left, vice president Hugo Braun, president Walter J. Aspatore and vice president Scott A. Eisenberg.

give the Michigan Strategic Fund outlets to invest in businesses. Eleven BIDCOs currently exist.

"We're really a hybrid between a traditional bank loan and an equity investor," said Hugo Braun, a vice president and investment officer at Onset.

"We're coming in after a bank is already involved," said Scott A. Eisenberg, also a vice president, investment officer and Bloomfield Town-

ship resident. "The bank has lent as much as it can based on collateral and the company still needs money."

Onset's four major investors put up \$10 million to launch the venture in 1988. Since then, Onset has made 20 loans from \$250,000 to just over \$1 million to 17 companies.

The firm hasn't been burned yet, said Walter J. Aspatore, Onset president and a Bloomfield Hills resident. "Typically in any portfolio, you're

going to have a bell-shaped curve," he said. "You have two or three stars, the majority making payments and one or two at the other end struggle a little bit."

"We're a lender," Aspatore said. "We will typically get a current interest rate on the loan (about 10 percent now) and we structure a success fee on the back end with warrants or royalties."

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## SUBURBAN BUSINESS LEADERS

Donald P. Hagel of Bloomfield Hills has been appointed to the position of director, business and market development for ITT Automotive Aftermarket. In his new position, Hagel will be responsible for developing long-term marketing strategies for the division.



Hagel

The Employee Relocation Council recently announced that Linda C. Scope, relocation director for Century 21 Town & Country of Troy has earned the Certified Relocation Professional designation.



Scope

Alan Rado has joined D'Arcy Masius Benton & Bowles/Bloomfield Hills advertising agency as a senior art director. Rado was previously senior art director at BBDO/Detroit.



Rado

Also at DMB&B, West Bloomfield resident Linda Witulski has been promoted to vice president, group media director, servicing the Cadillac and GM Gold Card accounts.



Witulski

To submit materials to this column, please send a brief biographical summary along with a black-and-white photo, if possible, to: Business Editor, Observer & Eccentric Newspapers, 38251 Schoolcraft, Livonia 48150. There is no charge.

## Homeowners, buyers, builders laud new property tax cut plan

By DOUG FUNKE  
STAFF WRITER

The fallout from state legislation eliminating local property taxes for school operations beginning with the 1994-95 academic year will touch almost every homeowner, renter and prospective buyer in one way or another.

The exact form depends on what, if any, taxes are enacted to replace the local school property measure. But for now, some outcomes are fairly clear.

■ Homeowners who escrow their property taxes will have smaller monthly mortgage payments.

But what of the escrow accounts, themselves?

Standard Federal Bank, headquartered in Troy and the largest mortgage lender in the state, currently has some 135,000 residential mortgages in Michigan. About 76 percent escrow taxes.

Some surplus escrow balances could be refunded.

However, William R. Yaw Jr., marketing director for Standard Federal, provided a more likely scenario.

Tax bills for the upcoming 1993-94 school year, as in years past, will be received and paid by most financial institutions for their mortgages this summer and in December.

Next year, at escrow analysis time, monthly mortgage payments will be adjusted downward to reflect elimination of the school tax for succeeding years. There would be no large surplus at that time because the money will have been paid out for taxes.

### Minimal refunds

"My gut reaction is there will not be a need for massive refunds," Yaw said.

"We're battling a lot of things around," said Albert King, manager of mortgage operations for First Federal of Michigan. "There's so many variables involved, it's premature to say how we're going to do this."

At least two things are apparent. If the Legislature doesn't implement a state property tax to fund school operations, monthly mortgage payments eventually will decrease for homeowners who pay their taxes through escrow accounts.

The other relates to banking



■ "I think what will end up happening is competitive forces will create more value for renters. Real estate taxes going down will give renters much more choices. When things are competitive, it's always better for consumers."

Jonathon Holtzman  
Village Park Apartments

operations.

"You're going to see a reduction in interest income," said Ellen Baskie, manager of investor relations for First Federal of Michigan. "It can be replaced or lost. You can build it into the cost of mortgage servicing or you decrease your profit."

■ Landlords and tenants both should benefit with the property tax cut, said Jonathon Holtzman, co-chairman of a Farmington Hills company that owns 10,000 Village Green and Village Park apartment units.

"The highest operating expense for an apartment community is real estate tax," he noted.

Property taxes here range from \$300 to \$1,200 per unit annually, Holtzman said. Elimination of the school portion, about 65 percent of the total bill, will especially help landlords in high-tax communities.

"What you're going to end up with is consistency. I think that's good for everybody," he said.

It's reasonable that tenants would expect to share in the financial good fortune of their landlords, Holtzman conceded.

"I think what will end up happening is competitive forces will create more value for renters," he said. "Real estate taxes going down will give renters much more choices. When things are competitive, it's always better for consumers."

Like his banking counterparts, Holtzman was reluctant to predict exactly how things will shake out until the Legislature determines what, if any, taxes will replace the local school property tax.

Wait and see

"The whole program hasn't been articulated yet," he said. "They may come back and put on some business tax that will offset that."

■ Houses become more affordable for first-time buyers and move-up purchasers can acquire more house for the dollar.

As a general rule, housing costs including principal, interest, taxes and insurance shouldn't exceed 28 percent of gross monthly income, lenders say. Many people think payment when they shop.

By eliminating local school property taxes, the buyer of an \$80,000 house in the Farmington School District could afford another \$93 monthly in interest and principal, in the Livonia School District \$103 and in the Troy School District \$115.

The advantage compounds with lower interest rates.

"It will make first-time buyers qualify for a larger mortgage, which means you can get into a bigger home," said Edward J. LeVotr, regional director for the Re/Max realty firm. "And it also frees up money for additional purchases, appliances and other things for the house."

Mary M. Arlinghaus, president of Pierce Realtors and president of the Birmingham-Bloomfield Board of Realtors, sees a short-term benefit. Longer-term benefits will depend on what happens to the quality of local schools.

"In some instances, it will make it easy to qualify," she said. "In some cases where taxes are

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