



John Engler, Governor

Doug Rothwell, Chief Executive Officer  
and Department Director

## MEMORANDUM

**DATE:** April 8, 1997

**TO:** Michigan Economic Growth Authority

**FROM:** Douglas E. Stites, Chief Operating Officer

**SUBJECT:** Briefing Memo - Black & Veatch

### COMPANY NAME:

Black & Veatch  
8400 Ward Parkway  
Kansas City, Missouri 64114

### HISTORY OF COMPANY:

Black & Veatch is an engineering, construction and facilities operation management company. The company was founded in 1915 by Messrs. Black and Veatch. The company has remained a general partnership throughout this time and currently has 162 partners in 80 offices around the world. The company employs more than 6,400 worldwide. Black & Veatch maintains its headquarters in Kansas City, Missouri, where they have over 800,000 square feet of office space. The company also has a regional office in Ann Arbor, Michigan, that employs 193 engineers and technical people, and a small facility in Detroit that employs 13.

Black & Veatch originally specialized in designing, engineering, and constructing power plants. In the past two decades they have expanded their core business to include general construction, power transmission and distribution, as well as, provide facility management services.

**PROJECT DESCRIPTION:**

Black & Veatch intends to add approximately 218 jobs in its United States operations. These jobs can go either to their Kansas City, Missouri, headquarters which currently has available office space, or the company can choose to expand their operations in Ann Arbor. By making the decision to expand in Ann Arbor, the company guarantees that the current 193 jobs will remain in the area.

This project will involve the construction of a \$9.7 million facility and long-term lease to the company. This 80,000 square foot facility will allow the company to consolidate its operations in Ann Arbor into a single building and also provide room for future expansion. Purchase of new fixtures and support equipment such as computers, phone systems and other peripherals will cost the company an additional \$1.5 million. The jobs created at this facility will require at least a bachelor's degree and will pay an average weekly wage of \$970.

The time line for this expansion is for construction to begin in June 1997 and for the facility to be complete in November 1998. The company expects to add 118 additional employees by the end of 1998. 218 total jobs will be added by the year 2000.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 681 new jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation would be increased by \$46,157,000 (1997 dollars) due to the presence of the Black & Veatch facility.

**OTHER STATE AND LOCAL ASSISTANCE:**

The local community will be unable to provide PA 198 tax abatements because this type of business is ineligible. The city is currently investigating the needs in the Plymouth Road Corridor for additional road work and traffic control, and will provide assistance to the company to make access safer and more convenient.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Missouri and Ann Arbor, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Black & Veatch to establish their manufacturing facility in Ann Arbor, rather than Missouri, decreases from approximately \$900,000 initially to \$450,000 by the tenth year of operation. This cost differential decreases over the life of the MEGA credit due to equalizing lease costs by year 10. Of this amount, approximately half is due to facility costs (in year one) and half to higher Michigan tax costs.

Michigan Jobs Commission staff have examined these numbers and believe they are a fair representation of the cost differentials between Michigan and Missouri. Other factors which make Michigan a favorable location include the ability of the company to recruit and retain employees from the major universities within 500 miles of Ann Arbor.

**BUT FOR:**

The company will incur significantly higher lease costs at their facility in Ann Arbor, higher costs for property and corporate taxes, higher electric rates, and they will have to create additional jobs in this location because of the lack of support services that would be available at their headquarters facility. Without the offer of a MEGA credit to help offset these costs, the company would be compelled to make this expansion in Missouri.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 30 percent for a period of 18 years for 218 net new employees.