



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: November 15, 2005
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President Business Development
SUBJECT: Briefing Memo - Cadillac Casting, Inc. Rural Retention Credit

COMPANY NAME AND ADDRESS:

Cadillac Casting, Inc.
1500 Fourth Avenue
Cadillac, Michigan 49601

HISTORY OF COMPANY:

Cadillac Casting, Inc. is a new company that was formed specifically to purchase the existing ductile iron foundry in Cadillac, Michigan from Hayes Lemmerz International, Inc. The foundry has been in operations in Cadillac since 1921 and supplies ductile iron cast moldings primarily to the auto industry. Hayes Lemmerz purchased the operation in 1999. Cadillac Casting currently has no employees.

PROJECT DESCRIPTION:

Cadillac Casting, Inc. is proposing to purchase the existing Hayes Lemmerz foundry in Cadillac. Hayes Lemmerz announced this past summer that they intended to close this facility. The purchase would allow Cadillac Casting to continue foundry operations at the site, leading to the retention of 375 existing full-time and 40 temporary positions at the facility. Average wages for the retained workers will be \$578 per week.

There would be minimal new capital investment for the project during the initial stage of redevelopment, however the company anticipates making future investments in excess of \$2 million a year in the facility once new contracts are awarded.

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BENEFITS TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will retain a total of 713 jobs in the state by the year 2012. We also estimate that the project would maintain total state government revenues through the year 2012, net of MEGA cost and adjusted for inflation, of \$16.6 million (2005 dollars) due to the retention of this facility.

BUT FOR:

Hayes Lemmerz had made formal arrangements to close this facility and move 100% of the work to locations outside of Michigan, with a majority of the work going to a foundry in Indiana and approximately 15% of the business going to China and Korea. A cost comparison between the location in Indiana and Michigan indicated costs were lower in Indiana for wages and electrical costs. Wages are estimated to be 15% lower in Indiana and electrical costs are estimated to be 70% lower as the facility in Indiana has city provided power.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Cadillac is willing to consider property tax abatement for future investment at the site, consistent with their policy to support such investment. However, there are currently no immediate purchases planned for this project, therefore no property tax abatements can be considered at this time. The City of Cadillac also partnered with the former owner of the facility to provide an alternative site for dumping their casting sand, which led to hundreds of thousands of dollars of savings in landfill fees that Cadillac Casting will continue to utilize.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent retention employment tax credit for seven years, for up to 375 retained employees.