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MEMORANDUM

DATE: October 14, 1998

TO: Michigan Economic Growth Authority

FROM: Greg Burkart, Director International and National Business Development *AA Jan 5/98*

SUBJECT: Briefing Memo - Centaur, Incorporated

COMPANY NAME:

Centaur, Incorporated
2401 Front Street
Toledo, Ohio 43605

HISTORY OF COMPANY:

Centaur, Incorporated, is a Michigan incorporated company formed in 1983. Centaur, Incorporated, is a holding company that owns in whole or in part, Heidtman Steel Products, Incorporated, HS Processing L.P. and Mizar Motors, Incorporated, as its largest holdings either directly or indirectly. The administration functions of these subsidiaries are located in Michigan, Ohio, and Indiana. Centaur, Incorporated, is considering consolidation of all administrative functions under one central corporate headquarter location. The company does not currently have a facility large enough to accommodate the proposed consolidation.

Heidtman Steel Products, Incorporated, is one of the few true steel service center networks in North America. While known for their expertise in high-strength steels, Heidtman Steel Products, Incorporated, markets all grades and finishes of flat-rolled steel products. Among these are hot rolled, cold rolled, hot-dipped, galvanized, galvanized, electrogalvanized, and aluminized products. Heidtman Steel Products, Incorporated, also has multiple slitting facilities.

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PROJECT DESCRIPTION:

Centaur, Incorporated, is proposing to construct a new headquarter facility in Bedford Township (Monroe County) or in Toledo, Ohio. This new facility would encompass 24,000 - 30,000 square feet. The building would cost \$2.6 million, with another \$450,000 being spent on land, and \$250,000 on related office type equipment.

Centaur, Incorporated, would centralize accounting, executive, finance, human resources, MIS, operations, purchasing, steel applications, sales, and traffic functions into this facility. Centaur, Incorporated, has 46 people currently employed in Michigan performing these administrative functions. By locating in Bedford Township, Centaur, Incorporated, would relocate an additional 87 jobs from Ohio in the first year. An additional 31 employees would then be added in the third year.

Ohio is proposing to build a facility and lease it back to Centaur, Incorporated, at a substantial cost savings to the company. This scenario would result in the loss of 46 Michigan based employees. The lost jobs would be administrative positions which are highly compensated.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 185 new jobs in the state by the year 2006. Total state government revenues through the year 2006, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$4,088,000 (1998 dollars) due to the presence of the Centaur, Incorporated, headquarters.

COST ANALYSIS:

As part of its decision process, the company has undertaken a comprehensive cost analysis between Toledo, Ohio, and Bedford Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Centaur, Incorporated, to establish their new headquarters in Bedford Township, Michigan, rather than Toledo, Ohio, is approximately \$2,292,039 in the first year of the project. Thereafter, the cost differential is favorable to Michigan by approximately \$130,000 in year two to approximately \$200,000 annually over the term of the incentive. The cost differential is

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primarily due to building/land costs and taxes. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Ohio.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 100 percent abatement of the 6-mill property tax for a period of 12 years, worth up to \$119,254. In addition, the local community will be applying to the State of Michigan for a Community Development Block Grant worth up to \$750,000 for a portion of the required infrastructure. Job training funds totaling up to \$65,500 will also be provided.

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Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$305,568. Bedford Township will be providing up to \$75,000 toward the cost of needed site improvements.

BUT FOR:

The company has examined the cost differential between locating in Toledo, Ohio, and Bedford Township, Michigan, and also the factors that could influence them to locate in Michigan, despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset the cost of building, land, and tax differentials. The ability to offer MEGA to the company will allow Michigan to retain 46 highly paid, administrative positions and create an additional 118 net new jobs within three years.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA personal income tax credit for 50 percent for 6 years for up to 118 net new jobs.