




## MICHIGAN JOBS COMMISSION

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### MEMORANDUM

**DATE:** October 14, 1998

**TO:** Michigan Economic Growth Authority

**FROM:** Kathleen Blake, Director   
Michigan Business Development

**SUBJECT:** Briefing Memo - Engineered Machined Products, Inc.

#### COMPANY NAME AND ADDRESS:

Engineered Machined Products, Inc.  
2003 North 20<sup>th</sup> Avenue  
Escanaba, Michigan 49829

#### HISTORY OF COMPANY:

Engineered Machined Products, Inc., (EMP) is a privately held company headquartered in Escanaba. The company has quadrupled its employment since 1994. Currently they employ more than 280 people in two adjacent facilities in the city. The company produces machined parts for the automotive industry including crankshaft spindles, water and oil pumps and various other parts for both automobiles and heavy trucks.

The company has experienced rapid growth due to its excellent engineering department and its research and development staff who have redesigned many parts for heavy trucks that reduce the number of parts, weight, and increase serviceability. Because of this growth, the company is considering building a new facility adjacent to the current manufacturing plant in Escanaba or locating a new facility in Greenfield, Indiana, in closer proximity to its main customers in Indiana.

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### **PROJECT DESCRIPTION:**

The project will entail building a manufacturing facility and offices to house research and development. The facility will be approximately 80,000 square feet. Capital investment is expected to be \$3,000,000 for the building and an additional \$2.25 million in expenditures for equipment over the first three years of the project. This expansion will create at least 75 jobs initially and will lead to a total of up to 175 jobs within five years with an average weekly wage of \$457. If this facility is located in Escanaba, the jobs created will be covered by a union contract, with full benefits.

### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 304 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$14,280,000 (1998 dollars) due to the presence of the EMP facility.

### **COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Indiana and Michigan. Based on figures obtained from the company, the annual cost disadvantage for EMP to expand its manufacturing operations in Escanaba, rather than Greenfield, is approximately \$600,000 annually over the term of the incentive. The cost differential is primarily attributable to lower wages, workers' compensation costs, and lower property taxes in Indiana. Labor related costs for the Indiana location are approximately \$550,000 lower on an annual basis at full capacity. Tax and utility costs will be lower in Indiana by more than \$60,000 annually, and transportation costs will also be lower because of proximity to customers.

### **OTHER STATE AND LOCAL ASSISTANCE:**

The Michigan Jobs Commission will provide EMP with a 100 percent abatement of the six-mill State Education Tax, worth up to \$173,000, for a period of time to match the local property tax abatement. Economic Development Job Training funds will also be offered to the company at \$500 per job for up to 175 new employees for a total of up to \$87,500. A Community Development Block Grant for infrastructure development for up to \$539,000 will be made available to the city of Escanaba to provide road improvements near the EMP site. In addition, the city of Escanaba will be offering assistance in the form of a 50 percent property tax abatement worth up to \$708,000 for a twelve-year period.

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**BUT FOR:**

The company has been expanding rapidly and needs to focus on the bottom line. To secure additional financing, the company will need to consider all possibilities to lower fixed and variable costs. Also, the company has recently acquired a small assembly facility in Indiana and has adequate expansion room for this project which would result in locating research and development functions closer to the company's major customers. Without the MEGA credit, the project would be located in Indiana.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of five years and 50 percent for the next 12 years, for up to 175 net new jobs.