



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION


MEMORANDUM

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DATE: August 19, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging

Greg West, Project Specialist
Business Development and Attraction 

SUBJECT: Briefing Memo – Genzink Steel Supply and Welding Company
Standard MEGA Credit

COMPANY NAME:

Genzink Steel Supply and Welding Company
40 East 64th Street
Holland, Michigan 49423

HISTORY OF COMPANY:

Genzink Steel Supply and Welding Company was formed in 1968 in Holland Michigan and is a full-service provider of products and services centered on heavy welding. The company serves a wide variety of customers from a range of industries. Genzink Steel has a unit that sells steel cut to length, shape cut, bent, painted and shipped in kits to other major fabricators nationally, as well as a heavy plate fabrication unit that is directed towards major equipment manufacturers in mining, defense, alternative energy, rail maintenance and heavy construction equipment suppliers. The company's products are also used by major power plant companies like Bechtel, Babcock Wilcox and Vogt Power in the construction of new or modified power plants around the country.

Genzink Steel Supply and Welding Company currently has 311 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project includes a 38,000 square foot building expansion to be followed by construction of a 50,000 square foot building at its site in Holland, Ottawa County. The initial expansion is necessary in order to capitalize on growth opportunities in the alternative energy sector, mining, oil and gas exploration, Department of Defense and heavy construction supplier contracts. The second phase of the project that includes the construction of a 50,000 square foot manufacturing plant is necessary due to the growth in the demand for the supply of structural steel and equipment used by power plant construction companies. This project also requires continued job related training for new and existing fabrication employees. Total investment over five years will be approximately \$7.93 million. This project will create 104 new jobs with an average weekly wage of \$766. The company will offer health care benefits and pay a portion of the benefit costs.

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BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 193 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$2.9 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company has considered various locations for this project, including Houston, Texas. One of the most significant disadvantages revolves around the location of the end user's assembly facility and the cost and timing of shipping. Genzink Steel has a national customer base with a focus on complex fabrications for major customers that have international bases of business. For this reason, the shipping distances involved create a pricing disadvantage ranging from \$1,500 to \$3,000 per truck, compared to fabricators with local customers. Also, with its focus in the alternative energy sector and with the heavy concentration of the next energy market in Texas, expanding at its current site in Michigan makes it more difficult to compete and service clients in that marketplace, which puts the company at a disadvantage because of increased business attraction and travel costs.

In addition to the disadvantages listed above, Genzink Steel also faces continuing competition for skilled workers (fabricators) with companies in, perceived, favorable locations, which increases its need for internal training programs.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Holland supports the Genzink Steel project and anticipates the approval of PA 198 and PA 328 tax abatements.

The MEDC has also approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant of \$500 per job for up to 300 new and existing jobs. This training grant could be worth up to \$150,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 104 net new employees.