

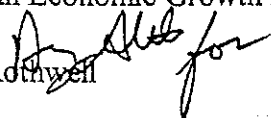
John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: December 12, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 

SUBJECT: MEGA Briefing Memo for Hess Industries, Incorporated

COMPANY NAME:

Hess Industries, Incorporated
191 Fir Road
Niles, Michigan 49120-9766

HISTORY OF COMPANY:

Hess Industries was started about 20 years ago by J. T. Hess and has sustained continuous growth through the development, manufacture and distribution worldwide of specialized machine tools, some with proprietary designs. Hess is made up of a group of four individual machine tool companies occupying five physical locations in Michigan, Indiana, and a European sales office in Switzerland. Today, Hess Industries is considered a leader in the technological advancement of the machine tool industry. Total sales for the year ending July 1995 were \$64.5 million with a total employment of 423 worldwide.

PROJECT DESCRIPTION:

The proposed project would consist of an office building for Hess Engineering, Incorporated and manufacturing facilities and offices for Hess MAE, Incorporated and X-Cel Fabricating, Incorporated, all of whom are wholly owned subsidiaries of Hess Industries, Incorporated. These operations will be located in three separate locations in Berrien and Cass Counties. One portion of this project would move existing operations out of Indiana to Michigan. The total project would consist of at least a \$6 million investment in buildings, machinery and equipment and 90 new jobs with an average weekly wage of \$598. Total annual payroll would be more than \$2.8 million at full production.

COST ANALYSIS:

As part of the company's site decision process, it has undertaken a comprehensive cost analysis between South Bend, Indiana and Niles, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Hess Engineering to establish their manufacturing facility in Niles, Michigan rather than South Bend, Indiana ranges from approximately \$124,000 to just over \$181,000 over the term of the incentive. The cost differential is primarily attributable to lower workers compensation rates, property and corporate taxes in Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes a 100 percent abatement of the 6 mill state education tax and workforce recruitment, screening and training assistance. Local assistance, in the form of a property tax abatement, that totals more than \$572,000 over twelve years will be offered to the company.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 90 new jobs in the state by the year 1998. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$14,307,000 (1995 dollars) due to the presence of the project.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 75 percent for a period of 20 years, for up to 90 new employees, and business activity credit of 100 percent for a period of 20 years.

John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: November 14, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*

SUBJECT: Briefing Memo - Standard Automotive Parts Company

COMPANY NAME:

Standard Automotive Parts Company
660-668 Nims Street
Muskegon, Michigan 49442

HISTORY OF COMPANY:

Standard Automotive Parts Company is a subsidiary of Burgess-Norton Manufacturing Company which is a subsidiary of Amsted, a Fortune 500 company. Standard Automotive was established in 1910 and, like many Muskegon companies, is engaged in the foundry business. In past years, the company has expanded its product line and is now involved in value added processes beyond its foundry activities. As a result of the company being purchased by Burgess-Norton, it is competing for business with other divisions of the parent company, Amsted, and needs to update its physical plant and processes to remain competitive and support the remaining foundry operations.

PROJECT DESCRIPTION:

Burgess-Norton has new contracts for rocker arms and other custom castings that can be manufactured at their DeKalb, Illinois or Muskegon, Michigan facility. The project includes the purchase of \$5,200,000 in machining equipment and \$800,000 in new construction. The project will create 25 new jobs with an average weekly wage of \$543, for a total annual payroll of more than \$705,000. The location of this expansion will assure that the 158 jobs at the Muskegon facility will remain.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 88 new jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$4,793,000 (1995 dollars) due to the presence of the Standard Automotive facility.

COST ANALYSIS:

As part of the company's site decision process, it has undertaken a comprehensive cost analysis between DeKalb, Illinois and Muskegon, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Standard Automotive to establish their manufacturing facility in Muskegon rather than DeKalb ranges from approximately \$129,000 to \$229,000 over the term of the incentive. The cost differential is primarily attributable to state imposed tax costs.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes a 100 percent abatement of the 6 mill school tax and workforce recruitment, screening and training assistance. Local assistance in the form of a property tax abatement that totals approximately \$477,000 over twelve years will be offered to the company by the local community.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years.

STANDARD AUTOMOTIVE PARTS COMPANY
MEGA ANALYSIS
SUMMARY ESTIMATES

TOTAL JOBS CREATED	88
Direct	25
Indirect	63
NET POSITIVE STATE REVENUE IMPACT	\$ 4,793,000
Revenue Forgone	\$ 509,000
Revenue Gain	\$ 5,392,000
Average Wage	\$ 543/week
Personal Income Generated Over Life of MEGA Agreement	\$67,397,000