



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: April 19, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – J&L America, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

J&L America, Inc.
31800 Industrial Road
Livonia, Michigan 48150

HISTORY OF COMPANY:

J&L America provides metalworking consumables and related products to small and medium sized manufacturers in the United States and the United Kingdom. The company is a wholly owned indirect subsidiary of Kennametal, Inc., a leading global manufacturer and distributor of a broad range of cutting tools, tooling systems, wear-resistant parts and supplies and technical services. Kennametal had 2004 sales of \$2.1 billion and has 14,000 employees worldwide. Combined Kennametal and J&L America currently have 546 employees in Michigan.

PROJECT DESCRIPTION:

J&L America is currently headquartered in Livonia and the company has outgrown their current facilities. In order to accommodate the continued growth in the company, J&L America needs to relocate to a larger building. In addition, the company would like to consolidate their technical call center operations from facilities in Texas, North Carolina and California. To accommodate the growth and consolidation, the company would lease an existing 50,000 square foot building in Southfield. The project would lead to 100 new jobs in the first year of the project and a total of 300 jobs over five years. The new positions would start at an average weekly wage of \$831.

The project would require a new capital investment of \$11.8 million, including \$8.8 million for capitalized lease costs and leasehold improvements and \$3.0 million for new machinery and equipment, office furniture and computers.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 454 jobs in the state by the year 2013. We also estimate that the project would create total state government revenues through the year 2013, net of MEGA cost and adjusted for inflation, of \$8.0 million (2005 dollars) due to the location of this facility.

BUT FOR:

In addition to the site in Southfield, J&L America is also considering consolidating their operations in Charlotte, North Carolina or in the Chicago area. The Charlotte site would save the company annual operating costs due to lower wages and lease costs in North Carolina. Lower salaries in Charlotte are estimated to save the company nearly \$1.7 million a year once the facility is fully operational. The company has also been offered a leased building with ten months of free rent and lower annual rents compared to Southfield.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Southfield has proposed a three-year PA 328 personal property tax abatement. The estimated value of this support is \$99,300.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an eight year employment tax credit consisting of 50 percent for the first 50 new jobs and 100 percent for all new jobs thereafter, for up to 300 net new employees.