



MEMORANDUM

DATE: October 10, 2000

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Jackson Precision Die Casting, Inc.

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COMPANY NAME:

Jackson Precision Die Casting, Inc.
522-524 Hupp Avenue
Jackson, Michigan 49204-0784

HISTORY OF COMPANY:

Jackson Precision Die Casting, Inc. is a manufacturer of aluminum die castings primarily for the automotive industry. The company was formed in 1998 when it acquired substantially all the assets of their original company, Diecast Corporation, from bankruptcy. The Diecast Corporation started in Jackson in 1946. During the time the company was in bankruptcy, General Motors took over management/ownership of the company because the bushings being produced were needed by General Motors. In 1998 TMB, Industries, a privately held holding company in Chicago, purchased the company. TMB has several divisions with plants throughout the United States. Jackson Precision Die Casting has 203 current employees in Michigan.

On June 23, 2000 one-third of the plant was destroyed due to a fire at the facility. 12,000 square feet of manufacturing space, three machines, a high technology quality area, office space, tool crib, and cafeteria were lost. The work assigned to the lost machines is now being manufactured at a sister plant in Angola, Indiana.

PROJECT DESCRIPTION:

The company has to make a decision about its future. There are several options being considered: the parent company has

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space in the Chicago area that could accommodate this operation; the Angola, Indiana plant is a state-of-the-art facility and has excess capacity; the Vice President and Chief Operating Officer and Chief Financial Officer are both Jackson residents and would like to keep the company in Jackson.

The project in Michigan would employ an additional 90 people at an average weekly wage of \$624 and a benefit package totaling 50 percent of wages. This reconstruction would upgrade the efficiency of a very old and obsolete facility. Anticipated capital investment includes \$6.1 million in building and \$7 million in equipment, for a total investment of \$13.1 million.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation using REMI software, we estimate this facility will generate a total of 220 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjusted for inflation, would be increased by \$10,263,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Chicago, Illinois and Jackson, Michigan. Based on figures obtained from the company, the cost disadvantage for the operational labor costs to keep this facility in Michigan rather than relocating to Illinois is \$9.7 million for the ten years of the incentive. The cost gap attributable to the wages is created due to a non-unionized facility in Chicago and the availability of a low wage, unskilled workforce.

OTHER STATE AND LOCAL ASSISTANCE:

Economic Development Job Training funds will be offered to the company at \$500 for up to 90 net new employees for a total of \$45,000. In addition, the state will provide an abatement of 100 percent of the State Education Tax for a period of time to match

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the local property tax abatement. The estimated value of this abatement is \$354,835.

The City of Jackson will provide 100 percent real property tax abatement on new investment under the obsolete plant rehabilitation program for a period of 12 years. Additionally, the City of Jackson will provide 50 percent personal property tax abatement for new personal property for a period of 12 years. The value of both abatements is approximately \$2,497,265.

BUT FOR:

Without the assistance offered by the MEGA program, Jackson Precision Die Casting, Inc. would not rebuild its facility in Jackson, Michigan. This would leave a large and obsolete facility vacant as well as the loss of 203 existing jobs and 90 new jobs.

While we are not entirely able to fill the gap, the company has indicated that it would really like to keep the project in Michigan if at all feasible. The company has enjoyed a good workforce in Michigan and feels that the proposed MEGA, as offered, will bridge enough of the gap to make the project viable for Michigan. In addition the company estimates that it would cost between \$5-6 million to move the facility and tooling to Chicago.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 90 net new jobs for 10 years.