



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: November 19, 2002
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – L&W Engineering
Standard Credit

COMPANY NAME AND ADDRESS:

L&W Engineering
6301 Haggerty Road
Belleville, Michigan 48111

HISTORY OF COMPANY:

L&W Engineering is an automotive stamping and assembly operation that began in Belleville in 1973. The company has expanded since that time and now has 7 locations in Michigan, including multiple facilities in Belleville and locations in Holland, Blissfield, Dundee and Spring Arbor. L&W Engineering also has facilities in Ohio and Tennessee. L&W Engineering is a subsidiary of L&W, Inc. a holding company that also owns Advanced Engineering. Currently, L&W has 1,623 employees in Michigan.

PROJECT DESCRIPTION:

This project was originally presented and approved by the MEGA Board on September 11, 2002. Since that time, L&W Engineering has discovered some environmental issues at the original site and is seeking Board approval for an alternative site. The company has not signed the original credit agreement.

L&W Engineering intends to relocate and expand their automotive metal tube fabrication and related assembly operations to Dundee, Michigan. The project would relocate the existing tube mill and six employees from Spring Arbor. L&W Engineering would purchase 15 acres of land and construct a new 75,000 square foot facility. The expansion is expected to generate 200 new jobs that will pay an average weekly wage of \$608.

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Briefing Memo
L&W Engineering
November 19, 2002
Page Two

Total capital investment for the project would be approximately \$19.7 million, including \$4.3 million for the purchase of land and building construction costs, and \$15.4 million for new machinery and equipment.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 421 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$18.7 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, L&W Engineering compared the costs of the project in Dundee and Terre Haute, Indiana, where an available building meeting L&W Engineering's needs was available. The major cost gaps being faced by the company include labor, building and property tax costs. The company estimates that labor costs will be nearly \$500,000 per year higher in Michigan when the facility is fully operational. L&W Engineering is also facing higher building costs, due to the need to construct a new facility in Michigan compared to utilizing an existing facility in Indiana. The company expects building costs to be \$750,000 higher in Michigan because of the need to construct a new facility. In addition, Terre Haute is offering local property tax abatements in Indiana, with 100% abatement in the first year.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for the 200 new employees or up to \$100,000. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$90,000. In addition, the state of Michigan will provide the local community a Community Development Block Grant worth up to \$500,000 to provide water, sewer and road infrastructure improvements.



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Briefing Memo
L&W Engineering
November 19, 2002
Page Three

The Village of Dundee has approved a 50 percent abatement of the company's new real and personal property taxes for twelve years. The estimated value of the local abatement is \$2,006,500. The Village of Dundee approved this abatement on November 5, 2002.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an eleven-year employment tax credit consisting of 100 percent for the initial ten years and 50 percent for the eleventh year, for up to 200 net new employees.

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