



## MICHIGAN JOBS COMMISSION

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# MEMORANDUM

**DATE:** September 17, 1998

**TO:** Michigan Economic Growth Authority

**FROM:** Kathleen J. Blake, Director *KJB*  
Michigan Business Development

**SUBJECT:** Briefing Memo - L & W, Inc.

### COMPANY NAME:

L & W, Inc.  
6301 Haggerty Road  
Belleville, Michigan 48111

### HISTORY OF COMPANY:

L & W, Inc., is a manufacturer of automotive metal stampings and welded assemblies that was started in 1973 in Michigan. The company currently employs 1,204 people located in several communities in Michigan: Belleville, Holland, Beaverton, and Redford. It is a privately held company and is a Tier-1 supplier to the Big Three.

L & W, Inc., has just landed a large contract to supply the Toledo Jeep plant with floor pan assemblies for the 2000 model. This contract requires the company to build a new facility as it does not have the capacity in any of its existing facilities to accommodate this project. The company had started to build the facility in Delta, Ohio, near Toledo, when originally visited by a Michigan Jobs Commission account manager. The account manager convinced the company to consider Michigan for the facility. A stipulation from Jeep was that the facility had to be within a 50-mile radius of its Toledo plant to meet just-in-time sequencing demands.

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**PROJECT DESCRIPTION:**

The project involves construction of a new manufacturing facility that could be expanded as other manufacturing contracts are generated. Within a five-year period, the facility would be 330,000 square feet. Total investment over this five-year period in plant and equipment would be \$50,050,000. Employment will reach 340 by the end of the sixth year of operation.

Construction is scheduled to begin in March 1999, and the first phase of the building (120,000 square feet) will be completed by December 31, 1999. Equipment installation, calibration, and try-out will occur from January 1, 2000, through July 31, 2000, and the facility will become fully operational on August 1, 2000. The company anticipates hiring 90 people within the first operational year, with average weekly wages of \$410 and a fringe benefit package totaling 27 percent of wages. An additional 250 people will be hired during the next five years.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 662 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$25,337,000 (1998 dollars) due to the presence of the L & W, Inc., facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Delta, Ohio, and Blissfield, Michigan. Based on figures obtained from the company, the annual cost disadvantage for L & W, Inc., to establish its manufacturing facility in Blissfield, Michigan, rather than Delta, Ohio, ranges from approximately \$200,000 to \$1,400,000 over the term of the incentive. The cost differential is primarily attributable to wage rates for occupations required by the facility being 10-15 percent higher in Michigan and Michigan property and corporate taxes being higher. The site in Delta, Ohio, is located in a state Enterprise Zone, offering L & W, Inc., tax advantages. In addition, Ohio has offered its Job Creation Tax Credit and Machinery Tax Credit to the company, which has an estimated value of \$3.5 million. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Ohio.

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The company feels that locating the facility in Blissfield would be beneficial to its other existing operations in Michigan, and that Michigan customers would also benefit from having the facility here rather than in Ohio. However, without a MEGA credit it will not be economically feasible to locate the facility in Michigan.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide L & W, Inc., with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$1,257,348 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$700 for up to 340 net new employees for a total of \$238,000. In addition, the State of Michigan will be providing to Blissfield a Community Development Block Grant worth up to \$1,000,000 to provide water, sewer, and road improvements to the company.

The Michigan Jobs Commission will also assist the community in applying for up to \$500,000 in Transportation Economic Development Funds. The Village of Blissfield will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$5,389,318 and will provide the local matching requirements associated with above-referenced infrastructure grants, totaling at least \$100,000.

#### **BUT FOR:**

Without the assistance offered by the MEGA program, L & W, Inc., would not locate this new facility in Michigan primarily due to cost factors and incentives offered by Ohio that make it economically more feasible to locate the facility there. The company feels that, if these cost factors are brought in line through MEGA, it will be advantageous for it and its Michigan customers to have the facility located in Michigan.

#### **RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for years one through twelve and 50 percent for year thirteen for up to 340 net new jobs.