MICHIGAN
Economic Development
Corporation

MEMORANDUM

Date: January 18, 2011

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – Macomb Pipe and Supply Co., Inc.
d/b/a The Macomb Group
Retention MEGA Credit

COMPANY NAME

Macomb Pipe and Supply Co., Inc. d/b/a The Macomb Group
3440 Mound Road
Sterling Heights, Michigan 48310

HISTORY OF COMPANY

The Macomb Group, established in 1977 in Mt. Clemens, is a wholesale distributor of pipes, valves and fittings (PVF) with multiple locations in Michigan, Ohio and Tennessee. The Macomb Group services a diverse mix of end markets including automotive, food and beverage, general manufacturing, hospitals, power plants and pharmaceuticals.

The company recently expanded their capabilities within the PVF market to include fabrication and light manufacturing on some parts they distribute as well as providing a new energy assessment audit service through their MERIT program.

The company currently has 163 employees in Michigan.

PROJECT DESCRIPTION

The company plans to consolidate its headquarters and two Metro-Detroit locations into a single facility in the City of Sterling Heights. This project will bring light manufacturing, hose assembly and instrumentation divisions under one roof; as well as consolidate all sales, purchasing and quotations departments into a single master call-center, reducing redundancy and improve operational efficiency for the company.

The Macomb Group plans to invest approximately $6.5 million and retain 107 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be $1,088. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will retain a total of 234 jobs in the state by the year 2016. It is also estimated that the project would maintain total state government revenues through the year 2016, net of MEGA costs, of $5,220,033 (current dollars) due to the retention of this facility.

BUSINESS CASE

The company currently spends excess dollars in operating redundant facilities with excess inventories. The company will undertake this consolidation effort and current market data shows that their future growth will continue in southern Ohio and Indiana which will be better served from Toledo rather than Michigan. The company is saturated in the Michigan market with more than seven current locations with targeted expansion primarily in Ohio, Indiana and Kentucky.

The option to consolidate in Toledo would allow the company to build a new facility to suit the exact size and layout requirements for the expanded operation. The facility in Sterling Heights is three times larger than the company's needs, requires environmental remediation and does not offer the layout the company would prefer to operate within requiring additional investment in building restoration to the project site.

OTHER STATE AND LOCAL ASSISTANCE

The MEDC will recommend support for a small brownfield MBT credit with an estimated value of $550,000 at a future date.

The City of Sterling Heights will consider a ten year PA 198 tax abatement on real and personal property associated to this project.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 60 percent retention employment tax credit for 6 years for the 107 retained employees at the Sterling Heights facility provided that the company maintains a statewide employment threshold of at least 155. Failure to do so will disqualify the company for that tax year.