



**MICHIGAN JOBS COMMISSION**

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**DATE:** February 11, 1999  
**TO:** Michigan Economic Growth Authority  
**FROM:** Kathleen J. Blake *KJB*  
**SUBJECT:** Briefing Memo - Magnesium Products of America, Inc.

**COMPANY NAME AND ADDRESS:**

Magnesium Products of America, Inc. (Meridian)  
2001 Industrial Drive  
Island City Industrial Park  
Eaton Rapids MI 48827

**HISTORY OF COMPANY:**

Magnesium Products of America, Inc., is located in Eaton Rapids, Michigan and employs 243 at this site. The company produces magnesium die cast products primarily for the automotive industry. Die cast machines range in size from 800 to 3,000 tons allowing the company the opportunity to offer a complete range of magnesium product applications, from steering column housings to full size instrument panel reinforcements. The Eaton Rapids facility produces instrument panel beams, seat frames, steering column brackets, steering column housings, and transfer cases. It has been at this site for approximately three years.

**PROJECT DESCRIPTION:**

Magnesium Products of America recently won a major contract and needs to increase capacity. This project is in competition with Magnesium Products's Strathroy, Ontario, Canada, facility. The proposed project would invest \$7,475,000 in building and \$15,345,000 in equipment. It would add up to 91 new employees with an average weekly wage of \$519 with a full benefit package. It has an operation start date of April 1, 2000, with a construction start date of May 1999.

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This project consists of two new operations. Magnesium Products expects to add new die cast machines for this new contract. Along with this expansion, the company will construct a recycling process. The company has standards regarding total employment at a single site and these two projects, if located in Michigan, will reach the maximum at the Eaton Rapids site.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 157 jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$3,744,000 (1998 dollars) due to the presence of the Magnesium Products facility.

#### **COST ANALYSIS:**

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between Strathroy and Eaton Rapids. Based on figures obtained from the company, the annual cost disadvantage for Magnesium Products to establish its new manufacturing facility in Eaton Rapids rather than Strathroy is approximately \$600,000 annually. This cost differential is due primarily to benefit costs (Canada provides national health care) and lower property tax rates in Canada.

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

The state of Michigan will provide Magnesium Products 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 \$653,703 over the term of the incentive. In addition, the state will offer job training assistance of \$1,400 per job for up to 91 net new jobs up to a total of \$127,400. In addition, Community Development Block Grant funds will be provided to the city of Eaton Rapids to assist in providing electric transformers and move a municipal well to allow future expansion on the Magnesium Products site.

The city of Eaton Rapids will provide a 50 percent property tax abatement for a period of 12 years worth approximately \$2,528,812.

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**BUT FOR:**

Magnesium Products has the ability and property available to build this facility in either Strathroy or Eaton Rapids. Both facilities have the management expertise to bring new products and processes on line efficiently. However, Strathroy has the advantage of lower fringe benefit costs due to national health care provided by the Canadian government. This alone would save Magnesium Products up to \$360,000 annually. In addition, property tax rates in Canada are lower by approximately \$500,000 annually. Corporate tax burden is lower in Michigan, which partially offsets these costs. The company would not be able to locate in Michigan without MEGA credits to offset these higher costs in Michigan.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of ten years and a business activity credit of 100 percent for 10 years for up to 91 net new jobs.