



MEMORANDUM

DATE: February 15, 2005
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President Business Development
SUBJECT: Briefing Memo - Metaldyne Machining and Assembly Co., Inc. Rural MEGA Credit

COMPANY NAME AND ADDRESS:

Metaldyne Machining and Assembly Co., Inc.
47603 Halyard Drive
Plymouth, Michigan 48170

HISTORY OF COMPANY:

Metaldyne Machining and Assembly Co., Inc. is a wholly-owned subsidiary of Metaldyne Corporation, a leading global manufacturer of highly engineered metal components for the global light vehicle market. The products manufactured include metal-formed and precision-engineered components and modular systems used in vehicle transmission, engine and chassis applications. The company was formerly known as MascoTech, Inc., but the name of the company was changed in January 2001. The company currently has 2,048 employees at 11 facilities in Michigan.

PROJECT DESCRIPTION:

Metaldyne is expanding due to a new project related to the machining and assembly of an end cover to be used on the new 6-speed transmission for both Ford and GM. The aluminum part will be die-cast in Ohio, but machined and assembled at a separate facility, potentially in Middleville, Michigan, where Metaldyne has an existing facility. In addition, Metaldyne is considering the consolidation of a smaller machining and assembly line from an existing out of state location. In total, the project would lead to the creation of 25 new jobs in the first year of the project and 64 by the third year. The new positions will pay an average weekly wage of \$536.

Total capital investment for the project would be approximately \$8.1 million, including \$1.3 million for leasehold improvements and capitalized lease costs, \$6.2 million for new and relocated equipment and special tooling and \$650,000 for relocation costs.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 92 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$2.1 million (2005 dollars) due to the presence of this facility.

BUT FOR:

In addition to Middleville, Metaldyne is also considering a leased facility near their casting facility in Ohio for this operation. Locating in Ohio would provide the company with savings in three areas compared to Middleville. The primary cost difference is related to wages. In Ohio, the facility would be new, allowing Metaldyne to hire new workers at a lower starting salary compared to Middleville, which is an established Metaldyne facility. In addition, the company would have lower relocation costs and a more favorable lease in Ohio, which would allow them to avoid \$750,000 of up front leasehold improvements needed in Middleville.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 64 new hires, or up to \$32,000. The state will also provide, pending approval of local property tax abatement, a 50 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This value of this abatement is estimated at \$43,900.

The Village of Middleville has proposed a 50 percent PA198 property tax abatement for 12 years on all new real property and for six years on new personal property. The estimated value of the local property tax abatement is \$387,200. The abatement is expected to be finalized by March 22, 2005.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for eight years, for up to 64 net new employees.