



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: August 11, 1998

TO: Michigan Economic Growth Authority

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

SUBJECT: Briefing Memo - P & A Industries, Inc.

COMPANY NAME:

P & A Industries, Inc.
523 Detroit Avenue
Monroe, Michigan 48162

HISTORY OF COMPANY:

P & A Industries, Inc., is a manufacturer of metal stampings and assemblies. The corporation was established in 1956 in Monroe, Michigan. The corporate office is currently residing at its original site in Monroe. The corporate building and all the corporate staff are operated under the name P & A Industries, Inc. In addition to the corporate office, P & A Industries, Inc., operates a metal stamping facility in Toledo, Ohio, which employs 230 hourly and salaried employees. P & A Industries, Inc., also provides corporate, engineering and prototyping services to Midway Products Corporation, which operates five manufacturing facilities employing approximately 900 at various locations in Ohio and Indiana. P & A Industries, Inc.'s primary customer is Ford Motor Company.

Due to increased sales, the company is required to expand and relocate the corporate headquarters. The current facility does not meet the current or future needs of the company, both in functionality and in size. The current facility was designed as a manufacturing operation, which the company has tried to convert into workable office space. They have run out of room and the site is landlocked.

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PROJECT DESCRIPTION:

The company proposes to build a new 60,000 square foot corporate headquarters, research and development, and prototyping facility in Monroe Township, Michigan, or Toledo, Ohio. If the company expands in Michigan, it would retain the company's 65 current workers, as well as create up to 130 new professional, technical, engineering, and clerical positions within the next three years. The average weekly wage of these jobs would be \$689.

An alternative solution to the company's situation would be to add onto its existing manufacturing facility in Toledo, Ohio. In this scenario, the company would move corporate headquarters out of Monroe to Toledo. The Toledo facility would receive a 10,000 square foot addition and design, engineering, and prototyping would be placed in each separate manufacturing facility.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 186 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$8,831,000 (1998 dollars) due to the presence of the P & A Industries, Inc.'s facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Toledo, Ohio, and Monroe Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for P & A Industries, Inc., to establish its manufacturing facility in Monroe Township, Michigan, rather than Toledo, Ohio, ranges from approximately six million dollars to \$155,000 over the term of the incentive. The cost differential is primarily attributable to land, building, and site costs in the first year and property taxes and transportation costs in remaining years. 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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OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide P & A Industries, 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 \$210,742 over the term of the incentive.

Monroe Township will provide a 50 percent property tax abatement for a period of twelve years worth approximately \$451,778. In addition, the township has agreed to waive water and sewer hookup fees, saving the company approximately \$30,000. The City of Monroe, on Monday, July 27 voted 6-1 in favor of a resolution allowing P & A Industries, Inc., to transfer the company's current 65 workers to Monroe Township.

BUT FOR:

Without the assistance offered by the MEGA program, P & A Industries, Inc., would not expand their existing facility in Michigan for the following reasons:

1. From an economic standpoint, the company would save roughly six million dollars in capital expenditures by adding onto its facility in Ohio rather than building a new facility in Michigan.
2. Also, in the cost analysis, Michigan was found to be approximately \$155,000 per year more expensive for the company to operate from compared to Ohio.
3. One of the company's owners is from Ohio and would like to see this facility moved there.

In order to make this project economically viable for the company, a MEGA tax credit is necessary.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 75 percent for a period of fifteen years for up to 130 net new jobs and a business activity credit of 75 percent for a period of four years.