

# MEMORANDUM

**Date:** January 19, 2010

**To:** Michigan Economic Growth Authority

**From:** Amy Deprez, Manager  
Packaging Team

Greg West, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Quality Metalcraft, Inc.  
Standard MEGA Credit

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## COMPANY NAME

Quality Metalcraft, Inc  
33355 Glendale Avenue  
Livonia, Michigan 48150

## HISTORY OF COMPANY

Quality Metalcraft, Inc. (QMC), founded in Livonia in 1954, is an automotive prototyping, engineering, and small run production and assembly company. QMC's tooling initiatives enable them to go from design straight to production. With Electronic Data Interchange and Advanced Shipping Notice capabilities, QMC can communicate directly with the OEMs and ship parts directly to manufacturing facilities anywhere in the world.

QMC currently has 186 employees in Michigan.

## PROJECT DESCRIPTION

QMC is currently in negotiations for a contract to partner with Aeroefficient for the advanced product design and manufacturing of aerodynamic fairings. These fairings improve the operating efficiencies of commercial tractor-trailer systems which significantly reduce fuel consumption and greenhouse gas emissions. The contract is scheduled to be awarded in February 2010. If chosen, QMC will create a new operation in a separate leased facility in Livonia, Michigan. This opportunity will allow QMC to diversify into a rapidly growing area for green energy efficient jobs.

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

QMC will invest approximately \$1.7 million and create 64 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$684. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

### **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 generate a total of 137 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$1.8 million (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

Aerofficient is considering other companies in either Tennessee or Mississippi for this contract. Aerofficient will not disclose the full details of their negotiations, however, one of the key disadvantages outlined by the company is the significant difference in labor rates. The labor rates at the other locations would provide Aerofficient with a 37% cost savings.

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

The City of Livonia is supportive of this project and anticipates approval of a 12 year property tax abatement under PA 198. The estimated value of this incentive is not known at this time.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends an 80 percent standard employment tax credit for five years for up to 64 net new employees in excess of the company's established base of 186, subject to the following:

- The ability to execute the MEGA credit agreement is contingent on Quality Metalcraft, Inc.'s award of the Aerofficient contract, expected to be received February 2010.