



MICHIGAN JOBS COMMISSION

201 N. WASHINGTON SQUARE, 4TH FLOOR
LANSING, MICHIGAN 48913
PHONE: 517.335.2877
FAX: 517.335.0198
CUSTOMER ASSISTANCE: 517.373.9808
HTTP://WWW.MJC.STATE.MI.US

MEMORANDUM

DATE: April 6, 1999

TO: Michigan Economic Growth Authority

FROM: Kathleen Blake, Acting Senior Vice President
Business Development

SUBJECT: Briefing Memo - Select Steel

COMPANY NAME AND ADDRESS:

Select Steel Corporation of America
500 Woodward Avenue
Detroit, Michigan 48226

HISTORY OF COMPANY:

Select Steel was founded in 1996 to develop a new specialty steel processing facility. The company is a subsidiary of Dunn Industrial Group in Kansas City, Missouri. In the past three years, Select Steel has investigated numerous Midwest locations for both steel processing and steel production.

PROJECT DESCRIPTION:

Select Steel proposes to build a facility that will initially process specialty steel products and manufacture steel at either a location in Delta Township (Lansing area) or near Toledo, Ohio. This facility will produce bar quality alloy and stainless steel. Investment for this project will be approximately \$160 million. The company plans to invest \$55.4 million for land and new construction and over \$105 million for new equipment over a three year period. Select Steel plans to create 85 jobs in the first year of operation and up to 200 jobs by the end of the third year. Average wage for these jobs is over \$16 per hour.

Briefing Memo
Select Steel
April 6, 1999
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 490 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$15.1 million (1998 dollars) due to the presence of the Select Steel facility.

COST ANALYSIS:

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between Michigan and Ohio. Based on figures obtained from the company, the cost disadvantage for Select Steel to establish its new manufacturing facility in Delta Township rather than Ohio ranges from \$240,000 to \$1,635,000 annually over the term of the incentive. These cost differentials are due to lower utility costs, lower property tax costs and lower corporate tax costs in the early years of the project. In addition, an employment credit, offered by the state of Ohio, is worth approximately \$300,000 annually and must be added to the cost differential.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide Select Steel 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 approximately \$4.4 million over the term of the incentive. In addition, the state will offer job training assistance of \$1,000 per job for up to 200 net new jobs, or a total of up to \$200,000. Additionally, an infrastructure grant is offered for up to \$2 million for waste water pretreatment and other infrastructure needs for the site in Delta Township.

Delta Township will provide a 50 percent property tax abatement for a period of 12 years worth nearly \$15 million over the term of the incentive.

BUT FOR:

Steel production and processing is a highly competitive industry. With the cost disadvantage for a Michigan location, the company could not locate in the state without a MEGA credit to meet the cost disparities with Ohio.

Briefing Memo
Select Steel
April 6, 1999
Page Three

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 55 percent for up to 200 net new jobs and a business activity credit of 50 percent, each for 10 years.