

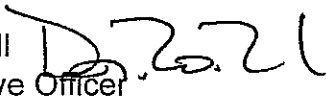
John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: March 12, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 
Chief Executive Officer
and Department Director

SUBJECT: Briefing Memo - Shape Corporation

COMPANY NAME:

Shape Corporation
1900 Hayes Street
Grand Haven, Michigan 49417

HISTORY OF COMPANY:

Shape Corporation was founded in Grand Haven in 1974. Gary VerPlank, the Chief Executive Officer of the company, has been successful in several other businesses in western Michigan over the past 20 years and has expanded Shape Corporation to employ approximately 580 people in two facilities in Grand Haven. Shape makes custom ferrous and non-ferrous rollformed products. Major contracts are with the automotive and furniture industries. Current annual sales exceed \$90 million with 50 percent of these sales to the domestic and transplant automotive manufacturers.

PROJECT DESCRIPTION:

Shape is fully utilizing the 400,000 square feet of production space it currently owns or leases in Grand Haven. The new facility will be approximately 150,000 square feet and will be expandable to 250,000 square feet. Expected new employment will be 125 in the first year of the project with up to 400 new employees within three years of start-up. Average weekly wage for this facility will be approximately \$488.

This new project will have rollforming, automated welding, and stamping operations to support new contracts for the production of bumper beams for the automotive industry. Company sales are expected to double in the first four years of this project.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,738 new jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$84,671,000 (1996 dollars) due to the presence of the Shape Corporation facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Findlay, Ohio and Grand Haven Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Shape Corporation to establish its manufacturing facility in Grand Haven Township rather than Findlay is approximately \$700,000 over the term of the incentive. The cost differential is primarily attributable to transportation costs, state imposed tax costs, and utility costs.

OTHER STATE AND LOCAL ASSISTANCE:

Other state assistance includes a 100 percent abatement of the six mill school tax and workforce training assistance. Grand Haven Township is providing a local tax abatement worth up to \$1.49 million.

BUT FOR:

Shape Corporation would not locate this facility in Grand Haven Township without MEGA to offset higher transportation costs. Transportation costs are higher at a Michigan facility for the following reasons:

1. Shape will be supplying its automotive customers in Ohio and Kentucky. A plant in Ohio would put them closer to their customers.

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2. The only supply of high tensile-strength steel, as required by General Motors for their bumper beams, is available from a steel mill in Ohio. An Ohio location would lower steel transportation costs.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years and a business activity credit of 65 percent for a period of 10 years for up to 400 employees.