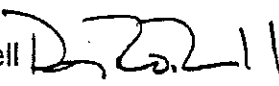




John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: October 2, 1995
TO: Michigan Economic Growth Authority
FROM: Doug Rothwell 
SUBJECT: Briefing Memo

COMPANY NAME:

Shiloh of Michigan, Incorporated
30600 Telegraph Road
Bingham Farms, Michigan 48025

HISTORY OF COMPANY:

Shiloh Industries, Inc. began in 1950 as Shiloh Tool and Die Manufacturing Company. Operations consisted of manufacturing precision tool and dies for the automotive industry. As an outgrowth of this business, Shiloh expanded into blanking and stamping operations. Today, Shiloh is considered a vertically integrated steel processor that supplies high quality blanks, stampings and processed steel to automotive and other industries. Presently, the company operates eight facilities with a total of over one million square feet of manufacturing space. All of the company's operations are in Ohio. This project will be the company's first facility outside of Ohio. Shiloh customers include the Big Three auto manufacturers, primary steel producers and automobile component manufacturers. In July 1993, Shiloh went public and currently trades on the NASDAQ market exchange.

PROJECT DESCRIPTION:

Because of increased demand in the company's operations, Shiloh Industries will create a wholly owned subsidiary, Shiloh of Michigan, Incorporated, which will be dedicated to operating a high quality steel blanking operation. The company is considering Wellington, Ohio and Romulus, Michigan for this expansion. This expansion will result in the company constructing a 160,000 square foot facility in Romulus, Michigan. In addition the company will invest approximately \$30 million while creating 153 jobs in 3 years. The average weekly wage at this facility is approximately \$480. Total incremental payroll at full production is estimated to be \$3.8 million annually.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 377 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would increase by \$25,121,000 due to the presence of the Shiloh of Michigan, Incorporated expansion.

This project would create a total of \$385 million (1995 dollars) in personal income by the year 2017 for Michigan residents. It would also contribute approximately, \$5.4 million to local governments and schools through tax payments over 12 years.

COST ANALYSIS:

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Wellington, Ohio and Romulus, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Shiloh of Michigan, Incorporated to locate its expansion in Romulus, Michigan, rather than Wellington, Ohio ranges from \$771,500 to 1,785,000 over the term of the incentive. The cost differential is primarily attributable to employee wages and tax costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

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LOCAL FINANCIAL ASSISTANCE:

Local assistance from Romulus, Michigan includes a 50 percent 6 year tax abatement valued at \$1.7 million. Additionally, the city will contribute approximately \$1.6 million, through its Tax Increment Finance Authority, to finance the needed infrastructure to the property.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for a period of 8 years. The credits are for a maximum of 153 new jobs.