



# MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

## MEMORANDUM

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**DATE:** July 15, 2008

**TO:** Michigan Economic Growth Authority

**FROM:** Val Hoag, Director  
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Joshua Hundt, Project Specialist  
Portfolio Management & Packaging

**SUBJECT:** Briefing Memo – Steel Tool & Engineering Co.  
High-Technology MEGA Credit

### COMPANY NAME:

Steel Tool & Engineering Co.  
22152 Pennsylvania Rd.  
Taylor, MI 48180

### HISTORY OF COMPANY:

Steel Tool & Engineering Co., founded in 1952 in Detroit, Michigan, moved to the company's current location in Taylor in 1968. In 2000, the company opened a second location in Wyandotte.

Steel Tool & Engineering engineers and manufactures precision component parts for military and commercial aircraft jet engines. The component parts are manufactured with advanced materials which are created by Steel Tool & Engineering's specialized processes. These processes were developed to meet the exacting specifications and tolerances required in military and commercial aircraft jet engines.

Steel Tool & Engineering currently has 83 employees in Michigan.

### PROJECT DESCRIPTION:

Steel Tool & Engineering is considering combining its facilities in Taylor and Wyandotte into one facility located in an existing facility Gibraltar, Michigan.

This project will result in the creation of 22 jobs in the first year and 50 new jobs over the next five years. The average weekly wage of these newly created jobs will be \$713. The company will also offer health care benefits, and pay a portion of the benefit cost. The overall capital investment for the new project is \$3.6 million.

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**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 112 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$3.2 million (2008 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Steel Tool & Engineering also looked at a competing site in Martinsville, Indiana. The sole owner of the company is an Indiana resident and owns another business in Indiana which engineers and manufactures the same component parts for military and commercial jet engines, and this business has the capacity to expand its operations.

The State of Indiana has made a proposal whereby the cost savings would be \$2.2 million compared to the Michigan location.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Gibraltar is in support of this project and anticipates approval of property tax abatement for a period of up to 12 years under PA 198 of 1974.

**QUALIFYING HIGH-TECHNOLOGY ACTIVITY:**

The company is a qualified high-technology business, whose primary business activity is Advanced Manufacturing, as defined in the Act.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years, for up to 50 net new employees.