



MEMORANDUM

Date: April 19, 2011

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Systrand Manufacturing Corporation
Retention MEGA Credit

COMPANY NAME

Systrand Manufacturing Corporation
19050 Allen Road
Brownstown, Michigan 48183
www.Systrand.com

HISTORY OF COMPANY

Systrand Manufacturing Corporation (“Systrand”) is a machining and assembly supplier that produces a number of products for engines, transmissions, and axles within the automotive industry. Their primary customer base includes Ford, ZF Industries, Chrysler, and GM. The company also supplies the solar energy industry. Systrand’s products are manufactured from aluminum, steel, cast-iron, alloys and powdered metal.

Systrand was formed in 1982 in Detroit and is currently located in Brownstown. The company currently has 162 employees in Michigan.

PROJECT DESCRIPTION

Systrand is currently facing a relocation decision, driven by their customer’s development of a greenfield site in Greenville, South Carolina. Their customer’s new production in South Carolina will introduce multiple new transmissions for North American and European automotive OEMs, for which Systrand will supply components. The new transmissions are expected to increase fuel efficiency in automobiles by 25-30%, and may also be used in hybrid vehicles. Should the company relocate to South Carolina, their existing Michigan operations will be consolidated to the Greenville facility.

The company plans to invest approximately \$19.25 million and retain up to 162 jobs over the next five years. Investment would occur in the City of Rockwood and retained jobs would be located in Rockwood and the Charter Township of Brownstown. The average weekly wage for the retained jobs will be \$695. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. The effect on

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

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 retain a total of 568 jobs in the state by the year 2014. It is also estimated that the project would maintain total state government revenues through the year 2014, net of MEGA costs, of \$7.9 million (current dollars) due to the retention of this facility.

BUSINESS CASE

Systrand has analyzed the benefits of a South Carolina location, which include transportation savings associated with their new work and a competitive tax incentive package offered by South Carolina. In addition, the company is expecting cost savings associated with utility costs (gas & electric), as well as unemployment insurance. The transportation savings alone are estimate at \$1,000,000 per year.

OTHER STATE AND LOCAL ASSISTANCE

The City of Rockwood is supportive of this project and anticipates consideration of a property tax abatement under P.A. 328 for 16 years. The City anticipates the value of this incentive to be worth up to \$340,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a retention tax credit of up-to 70 percent for four years for up to 162 retained employees provided the company maintains at least 130 employees in Michigan.