



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: April 22, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
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Amy Deprez, Program Manager
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SUBJECT: Briefing Memo – Von Weise, Inc.
Standard Credit

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ELIGIBLE BUSINESS:

Von Weise, Inc.
402 East Haven Street
Eaton Rapids, Michigan 48827

HISTORY OF COMPANY:

Von Weise, Inc., recently purchased by Sun Capital Partners, Inc. in December 2007 and formerly owned and operated by Techumseh Products, started operations in Michigan in the 1950s as a metal fabricator. During the late 1950s the company began manufacturing recoil starters for use in the lawn and garden industry and in 1970 expanded their product line to include electric starting motors.

The 402 East Haven Street site is the corporate headquarters for Von Weise, Inc. In addition the company has two additional plant locations in Eaton Rapids and operates manufacturing facilities in Cambridge, Ontario; Nappanee, Indiana; and Juarez, Mexico.

The company currently employ 212 employees at the three locations within Eaton Rapids.

PROJECT DESCRIPTION:

Von Weise is considering the closure of company facilities located at Nappanee, Indiana and St. Clare, Missouri. With the closure of these facilities the manufacturing and engineering equipment would need to be relocated. The Eaton Rapids campus has the needed capacity to accommodate the transferred equipment and future growth. Should the project relocate to Eaton Rapids, 159 new jobs will be created, paying an average weekly wage of \$529. Approximately \$4 million of equipment will be transferred and an additional \$3.3 million in new equipment will be purchased during the next five years.

BENEFITS 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 create a total of 364 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$5.9 million (2008 dollars) due to the creation of these new jobs.

BUT FOR:

Alternatively, the company has excess capacity at their Juarez, Mexico facility and has stated that wages and business taxes would be much less in Mexico rather than Michigan.

Though the identified cost disparity is considerable, the company feels that from a coordination standpoint the advantage of having all of the engineering and corporate housed together in Eaton Rapids would be very beneficial. In addition, the Eaton Rapids staff has the experience and knowledge to oversee and train the personnel hired to operate the relocated equipment. Quality and shipment reliability is paramount to maintaining and expanding the business line with current and future customers.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Eaton Rapids supports the Von Weise project and anticipates approval of a property tax abatement for 12 years under PA198 of 1974. Approval of the tax abatement is expected to take place on April 14, 2008 and is anticipated to be valued at \$139,000.

In addition, the Michigan Strategic Fund Board supports this project and is expected to approve a Community Development Block Economic Development Job Creation Direct Grant of \$800,000 for machinery and equipment purchase.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 159 net new employees.