




John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: August 13, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 

SUBJECT: Briefing Memo - Worthington Industries

COMPANY NAME:

Worthington Industries
1205 Dearborn Drive
Columbus, Ohio 43085

HISTORY OF COMPANY:

Worthington Industries, founded in 1955, is headquartered in Columbus, Ohio and currently operates 35 facilities in the United States, Europe, and Mexico. Worthington Industries is a leading manufacturer of metal and plastic products. The company's business comprises three segments: processed steel products (70%), custom products (20%) and cast products (10%). The company presently has five operations in Michigan with total employment of approximately 480 employees.

PROJECT DESCRIPTION:

Worthington Industries proposes to build a new 240,000 square foot light-gauge galvanizing facility at a greenfield site located in Frenchtown Township, Monroe County, Michigan. This facility will be a joint venture and will galvanize approximately 450,000 tons of cold-rolled steel coils for automotive applications.



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The facility will employ approximately 110 full time employees. The total capital investment will be approximately \$85 million, which includes a building and production and support equipment. The company is considering Oregon, Ohio (near Toledo) as an alternative site. The average weekly wage at this operation is approximately \$728. Total incremental payroll at full production is estimated to be \$4.2 million annually.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 333 new jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$9,680,000 (1996 dollars) due to the presence of the Worthington Industries facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Oregon, Ohio and Frenchtown Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Worthington Industries to establish its manufacturing facility in Frenchtown Township, Michigan rather than Oregon, Ohio ranges from approximately \$663,000 to \$1,478,042, over the term of the incentive. The cost differential is primarily attributed to corporate taxes, real and personal property taxes and electrical costs. Michigan Jobs Commission staff have examined these numbers, and they are a fair representation of the cost differential between Frenchtown Township, Michigan and Oregon, Ohio.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 50 percent abatement of the 6-mill school property tax for a period of 12 years, worth up to \$874,000. Infrastructure development funding of up to \$2.3 million will be available to the local community to provide needed services to the site chosen by the company. Additionally, \$194,000 will be provided by the Michigan Department of Transportation Freight Economic Development Project program for railroad siding improvements.

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Local tax abatements for a period of 12 years, estimated to be worth approximately \$5,118,210 will be offered to the company. Other local assistance includes expediting site plan approval and permit assistance, as well as arranging special township board meetings.

BUT FOR:

Without MEGA, Worthington Industries will not locate in Frenchtown Township, Michigan for the following reasons:

1. The corporate tax structure in Oregon, Ohio is considerably more favorable than the Single Business Tax in Michigan because Ohio offers considerable incentives to offset any tax liability.
2. Electrical rates in Ohio will provide Worthington Industries with cost savings when compared to Detroit Edison. Toledo Edison has gained a reputation for issuing and executing special contracts for highly valued customers.
3. Real and personal property taxes are much lower in Oregon, Ohio than in Frenchtown Township, Michigan.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 12 years for up to 110 net new employees and a business activity credit of 100 percent for a period of 12 years.