



## MICHIGAN JOBS COMMISSION

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# MEMORANDUM

**DATE:** November 18, 1997  
**TO:** Michigan Economic Growth Authority  
**FROM:** Douglas E. Stites, Chief Operating Officer  
**SUBJECT:** Briefing Memo - Brian Unlimited Distribution Company, Incorporated (BUDCO)

### COMPANY NAME:

Brian Unlimited Distribution Company, Incorporated  
13131 Lyndon Avenue  
Detroit, Michigan 48227-3973

### HISTORY OF COMPANY:

Brian Unlimited Distribution Company, Incorporated, (BUDCO) is a privately held holding company for BUDCO Customer Support Services, Inc., Compsee, Inc., and BUDCO Temporary Services, Inc. Bud Brian, Chief Executive Officer and owner, started the company in 1981. Each of the subsidiaries are located in the City of Detroit. BUDCO sells nationally by providing complex printing services, teleservicing support, and related marketing to large corporations. Products include dealer service manuals and support services, product manuals, and related telecommunications support.

BUDCO is growing with sales exceeding \$30,000,000 and employing more than 400 people. Projected sales growth is anticipated to be \$55 million by year 2001 with an increase of 563 employees. In order to meet growth objectives, the BUDCO has decided to consolidate the operations of its subsidiaries. A consolidated facility would improve cost efficiencies and image issues.

**PROJECT DESCRIPTION:**

BUDCO retained a site location consultant and tax consultant to research and recommend various alternatives for addressing its long term growth plans. The consultant's recommended consolidation of BUDCO operations either in the Detroit metropolitan or Toledo areas. After consideration of various sites, BUDCO would like to consolidate its operation either in Highland Park, Michigan, or Wood County, Ohio, near Toledo. The project is projected to create 563 new jobs by the year 2001. The initial average wage will be \$15.80 for an average weekly wage of \$632. The average benefit package will be approximately 24 percent of wages. The company will transfer its existing 407 employees to the new facility.

The project requires a 310,000 square foot facility to achieve its objectives. The Highland Park facility would be built at an estimated cost of \$12.2 million and leased to BUDCO for an initial period of 12 years. Direct capital investment by BUDCO would be approximately \$6.8 million for leasehold improvements of \$3.1 million and \$3.7 million for machinery and equipment acquisition. Other expenditures would include \$3.3 million in relocation costs and \$2.5 million for infrastructure development.

Construction is expected to begin January 1998. Production could begin the second quarter of 1999, and would be fully operational by the end of the first quarter of 2000, if building construction is completed according to schedule. The anniversary date for the minimum 75 jobs would be April 1, 2000.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 847 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$32,208,000 (1997 dollars) due to the presence of the BUDCO facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Wood County, Ohio, and Highland Park, Michigan. Based on figures obtained from the company, the annual cost disadvantage for BUDCO to establish its manufacturing facility in Highland Park, Michigan, rather than Wood County, Ohio, ranges from approximately \$500,000 to \$3,000,000 over the term of the incentive. The cost differential is primarily attributable to taxes and incentives, electric utility costs, and lease costs. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Wood County, Ohio.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide BUDCO with a 100 percent abatement of the six mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$578,332 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$400 for each worker up to 563 net new employees for a total of up to \$225,200.

The Highland Park site has been designated as a Brownfield Redevelopment site. The Brownfield Redevelopment Act provides taxpayers a credit worth up to \$1,000,000 against their single business tax liability provided the taxpayer makes an economic investment at the site.

The City of Highland Park will provide a 50 percent property tax abatement for a period of 12 years, worth approximately \$3,144,000. Highland Park may also provide added security and fire protection to the industrial park area.

**BUT FOR:**

Without the assistance offered by the MEGA program, BUDCO would not locate the new facility in Michigan for the following reasons:

1. Consultant recommendations supported sites outside Michigan for growth and image purposes.
2. Ohio's taxes are generally lower and tax incentives create a significant cost differential over a twelve year period.
3. Annual utility costs are lower in the Toledo area.
4. Lease costs are lower with the proposed Wood County facility.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 95 percent for a period of 12 years and 42 percent for the following five years for up to 563 net new jobs.