



John Engler, Governor

Doug Rothwell, Chief Executive Officer

## MEMORANDUM

DATE: March 12, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*  
Chief Executive Officer  
and Department Director

SUBJECT: Case Systems Briefing Memo

### COMPANY NAME:

Case Systems Incorporated  
1930 Stark Road  
Post Office Box 2044  
Midland, Michigan 48641

### HISTORY OF COMPANY:

Case Systems is a Michigan company based in Midland County. It is located in a light industrial area outside of the city in a building that cannot be expanded. The company builds institutional furniture for schools, laboratories and medical offices. Average sales have been in the \$5.5 million range for the past few years. There have been approximately 60 employees at the facility. Until two years ago, the company was locally owned. In October 1993, the company was purchased by an investor group and a new facility manager was appointed. With improvements in marketing and product delivery, the company's sales have grown to \$7.5 million and there are now over 100 employees.

Two new projects have created a need to further expand production capacity. This includes an expansion of the core business through creation of a distribution system at the national level. This is driven by the pressing need throughout the country to update the aging school infrastructure. The second is a licensing agreement with a German manufacturer to market and build a line of institutional furniture that is seeing remarkable sales growth in the United States.

#### **PROJECT DESCRIPTION:**

Case Systems will move its entire operations approximately five miles from Lincoln Township, Michigan to the city of Midland, Michigan or to an existing facility in Siler City, North Carolina. If the project goes to North Carolina, Michigan will not only lose the 110 new jobs, but over 100 existing jobs will leave the state.

This project will have an investment of approximately \$2.1 million with about \$1.2 million in building improvements and new equipment and about \$.9 million for leasehold improvements. This expansion will create 110 new jobs in the next three years with an average weekly wage of approximately \$444.

A move to Midland will utilize an existing facility that has remained vacant for several years. The company cannot expand on its present site because the owners of the property are unwilling to sell or expand the building to meet Case's needs. The township is aware of this potential move and is willing to provide a resolution for the transfer of employees for both MEGA and property tax abatement purposes.

In addition to the new jobs and added investment in the community, this award of a MEGA credit will require the company to discontinue leasing employees and make their existing workforce permanent employees of the company.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 268 new jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$10,871,000 (1996 dollars) due to the presence of the Case Systems facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Siler City, North Carolina and Midland, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Case Systems to establish its manufacturing facility in Midland rather than Siler City ranges from approximately \$100,000 to \$200,000 over the term of the incentive. The cost differential is primarily attributable to transportation costs for products from their German partner, state imposed tax costs and utility costs.

**OTHER STATE AND LOCAL ASSISTANCE:**

Local assistance, in the form of the establishment of a rehabilitation district to exempt 100 percent of the property tax for the improvements to the building and a 50 percent abatement for machinery and equipment, could be worth up to \$467,000 over 12 years.

**BUT FOR:**

Case Systems would not locate this expansion in Michigan without the MEGA tax credit. The credit would be used to offset the greater state-imposed business costs of the Single Business Tax and property taxes and the added cost of shipping goods from their German partner to the United States.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 50 percent for a period of 13 years for up to 110 employees.