



MEMORANDUM

DATE: October 19, 2004
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – E.A.B. Fabrication, Inc.
Rural MEGA Credit

COMPANY NAME AND ADDRESS:

E.A.B. Fabrication, Inc.
209 West Elm Street
Reading, Michigan 49274

HISTORY OF COMPANY:

E.A.B. Fabrication was established in 2002 and is a metal fabrication supplier to the automotive industry. The company mainly supplies material handling containers (racks) for automotive parts. The company is temporarily based in Reading, Michigan after a fire destroyed their facility in Quincy. The company currently has nine employees.

PROJECT DESCRIPTION:

E.A.B. Fabrication is quickly outgrowing their temporary facility in Reading due to an increase in their business. The search for a new location is focused on Quincy, where five acres of vacant land is available in the local industrial park. If the company locates at this site, they would construct a new 15,000 square foot facility for their operations. The location would lead to the creation of 12 new jobs in the first year of the project and 75 by the fifth year. The new positions will pay an average weekly wage of \$463.

Total capital investment for the project would be approximately \$800,000, including \$350,000 for building costs and \$450,000 for new machinery and equipment and a powder coat line. Construction on the new facility would begin this year, with operations initiating in June of 2005.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 137 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$3.7 million (2004 dollars) due to the presence of this facility.

BUT FOR:

In addition to Quincy, E.A.B. Fabrication is also considering sites in Northern Indiana, which is 12 miles to the south. Locating in Indiana would provide the company with operational savings for unemployment insurance, worker's compensation and electrical utilities. The company would also see savings in their property taxes, due to lower millage rates in Indiana. In total, locating in Indiana would save the company nearly \$100,000 per year due to these costs.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 25 workers, or up to \$12,500.

The Village of Quincy has proposed a 50 percent PA198 property tax abatement for all new real and personal property for 12 years. The estimated value of the local property tax abatement is \$100,900. The abatement is expected to be finalized on October 19, 2004.

Quincy will also provide 5 acres of land to the company for the price of \$1 in order to construct the new facility. This estimated savings of this subsidy is \$30,000. The Village will also extend the water, sewer and electrical utilities to the site at an estimated cost of \$10,000. Finally, the community will assist in financing the project, saving the company additional funding due to a more competitive interest rate available to the community.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for ten years, for up to 75 net new employees.