



MEMORANDUM

DATE: April 25, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Integrity Design, Inc.

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
☎ 517 335 5884
☎ 517 335 2521

CUSTOMER ASSISTANCE
☎ 517 373 9808

www.michigan.org

COMPANY NAME AND ADDRESS:

Integrity Design, Inc.
1436 Ventnor Avenue
St. Joseph, Michigan 49085

HISTORY OF COMPANY:

Integrity Design, Inc. is a new mechanical engineering and design firm specializing in automated assembly machine design, resistance and mig welding design and engineering for tooling fixtures and gauges for advanced manufacturing companies. Integrity Design utilizes state of the art 3D solid modeling software to reduce design costs and eliminate costly machining and assembly rework that is currently common in model prototyping and advanced manufacturing of special machines. Its president, Matthew D. Bechtel, and future employees who will have part ownership in the company, own Integrity Design in its entirety.

PROJECT DESCRIPTION:

Integrity Design plans to begin operations this year. As part of this initiative, the company plans to lease 5,000 square feet over a five-year growth period. The space will be in a built-to-suit building in the St. Joseph Renaissance Zone. The company anticipates investing \$575,400 in the project, including \$395,400 in capitalized lease costs and \$180,000 in new machinery, equipment and computers.

Integrity Design would hire 28 people within a five-year period, including ten new employees in the first year of operation. The new positions would have an average weekly wage of \$1,003 with a full benefit package.

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 46 jobs in the state by the year 2005. Total state government revenues through the year 2005, net of MEGA costs and adjustment for inflation, would be increased by \$577,000 (2001 dollars) due to the presence of this facility.

BUSINESS CASE:

Integrity Design is considering sites in Illinois, Ohio and Michigan for the location of their start-up facility that will serve the advanced technology market that exists in the Midwest area. An analysis completed by the company indicates suitable space can be made available at all locations considered.

The consideration of the Renaissance Zone site in Michigan would virtually eliminate all real and personal property tax and the Single Business Tax. This site would also provide the company with a good location close to the automotive industry and other clients in the Midwest, which is regionally the largest user of custom equipment in the U.S.

Integrity Design must weigh these positives against some competitive disadvantages in selecting Michigan. First, the availability of the talent for 3D solid modeling is very scarce and could more likely be found in the Chicago area. Recruitment of this talent to the southwest Michigan area may be difficult and expensive for the company. Also, both Illinois and Ohio have excellent resources available for start-up companies such as low-cost loans, etc., which make these states attractive.

The company believes that the MEGA and job training assistance, as well as the local commitment provided, tips the scales in Michigan's favor for the project.

OTHER STATE AND LOCAL ASSISTANCE:

Economic Development Job Training funds will be offered to the company at \$700 per employee for up to 28 net new employees for a total of \$19,600.

The proposed Michigan site is located in a Renaissance Zone within the City of St. Joseph. For the first eight years of the project the company will not be paying any local or state property taxes except debt service. In the final three years of the Renaissance Zone the property taxes will phase back in with the company receiving a 75 percent abatement in year nine, a 50 percent abatement in year ten, and a 25 percent abatement in year eleven, the final year of the Renaissance Zone designation. The estimated value of local property tax savings due to the Renaissance Zone is \$30,750. The estimated value of the six-mill State Education Tax savings over the same time period totals \$3,970.

Integrity Design has also worked with and received assistance from Cornerstone Alliance including rent subsidy, training and assistance with start up costs. The estimated value of Cornerstone's commitments totals \$20,000 over a three-year period.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for the initial two years, 75 percent for the third year, and 50 percent for years four and five for up to 28 net new jobs.