



MICHIGAN JOBS COMMISSION

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DATE: November 17, 1998

TO: Michigan Economic Growth Authority

FROM: Kathleen Blake, Director *MP for Kathy Blake*
Michigan Business Development

SUBJECT Briefing Memo Scott Technologies

COMPANY NAME AND ADDRESS:

Scott Technologies
1201 Kalamazoo Street
South Haven, Michigan

HISTORY OF COMPANY:

Scott was founded in 1932 by Karle Scott in Lancaster, New York. The company originally produced tail wheel assemblies for airplanes. The business expanded into other hardware for aircraft. World War II made the business a success. Following the war, the company developed new safety products including oxygen packs for both military and civilian airplanes. The company was purchased by Figgie International in 1967. The company continued to expand the breathing apparatus business into fire safety, escape systems, and chemical and particulate filter masks. Figgie changed its name in May 1998 to Scott Technologies to reflect its concentration in the breathing apparatus and safety business. Scott operations in South Haven, Michigan, began in 1963 and currently employs 56 people in Michigan.

PROJECT DESCRIPTION:

Scott intends to expand into an existing facility in either South Haven, Michigan, or Elkhart, Indiana. The company will invest more than \$1 million in new machinery and equipment and invest further in leasehold improvements to either building. This expansion will create up to 92 new jobs with an average weekly wage of \$445. If this expansion takes place in Michigan, it will be located at a brownfield site, the former Bohn Aluminum Foundry, in South Haven.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 165 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 \$5,085,000 (1998 dollars) due to the presence of the Scott facility.

COST ANALYSIS:

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between Elkhart and South Haven. Based on figures obtained from the company. The annual cost disadvantage for Scott to establish its new manufacturing facility in South Haven rather than Elkhart is approximately \$100,000. The cost differential is primarily attributable to utility costs, lease costs, and tax incentives offered by Elkhart and the state of Indiana. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Scott 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 \$15,552 over the term of the incentive. In addition, the state will offer job training assistance of \$500 per job for up to 92 net new jobs or a total of up to \$46,000. In addition, Community Development Block Grant funds will be provided to the city of South Haven to assist in the development of a sewage pre-treatment facility at the Scott site.

The city of South Haven will provide a 50 percent property tax abatement for a period of twelve years worth approximately \$64,500.

BUT FOR:

Although the cost differential is small, this facility must maintain a competitive cost and profit position to continue to receive new product. By providing this incentive, the company will be better able to provide a quality product at a low price and to compete for future business within the company.

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RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 50 percent for a period of ten years for up to 92 net new jobs.