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**BUSINESS**

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**State releases Gestamp incentives**

by George Hohmann  
Daily Mail Business Editor

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CHARLESTON, W.Va. -- Details about the incentives Gestamp will receive for re-opening the stamping plant in South Charleston and the company's planned investment have been released by the state.

Last month, Gov. Earl Ray Tomblin announced that Gestamp, a Spanish automotive company, will re-open the plant, eventually creating up to 700 jobs. Gestamp North America President John Craig has said the plant will be a primary supplier for Honda and Ford.

At the Daily Mail's request, West Virginia Secretary of Commerce Keith Burdette on Monday released a copy of the agreement signed April 3 by Jeffrey Wilson, Gestamp's president and chief executive officer, and Mark Julian, the state development office's director of business and industrial development.

Gestamp agreed to make a minimum investment of \$45 million and create at least 175 jobs by Dec. 31, 2013. "This investment will grow within 5 years to a minimum investment of \$100 million and no less than 400 jobs," according to the memo.

Asked about the Gestamp investment, Burdette said, "It will be almost all in equipment.

"They're telling us they'll put at least \$100 million worth of equipment in the building," he said. "It could be as much as \$150 million. They estimate putting in five or six lines at \$20 million to \$25 million apiece. We've offered to finance \$25 million. They would self-finance the rest."

As previously reported, the state agreed Gestamp will qualify for the Economic Opportunity Tax Credit, the Manufacturing Investment Tax Credit and the Manufacturing Property Tax Adjustment Tax Credit. Burdette said these credits provide business franchise and corporate net income tax relief.

The memo say that based on these credits, "the West Virginia Tax Department estimates that Gestamp's tax liability in this category will be zero dollars for at least the first 13 years."

The memo also says that the state Tax Department estimates Gestamp's tax liability for state personal property tax will be zero dollars, based on the company's equipment investments of up to \$150 million. The company won't owe property tax because most of the equipment in the plant will be owned by the state Economic Development Authority.

Although the agreement eliminates Gestamp's property tax liability, the company and the Kanawha County Commission will likely come to terms on a payment in lieu of taxes, or PILOT, whereby the company agrees to make payments to the county to help fund essential services like schools.

Any agreement forged by Gestamp and the Kanawha Commission will come up for a vote at a future public commission meeting.

According to the memo, the state Tax Department's Real Estate Tax Division has determined that the property in the plant that is owned by Charleston Stamping and Manufacturing would result in an annual tax liability of \$285,000 to

\$300,000. The memo doesn't say it but Gestamp will probably pay that tax indirectly when it makes lease payments to the Park Corp.

Park owns the stamping plant. Gestamp signed a 12-year lease with Park with a 12-year renewal option, according to the memo.

The memo says that Gestamp's tax liability:

- \* For the Business Franchise Tax will be zero dollars for the balance of the life of the tax, which is scheduled to be eliminated in 2015.

- \* For materials, dies and tooling will be zero because the state will activate a so-called "Foreign Trade Zone" at the plant.

- \* For finished goods shipped out of state will be zero because of the so-called Warehouse "Freeport" Amendment.

In addition, all materials and process equipment used for construction at the plant will be exempt from the 6 percent state sales tax.

The city business and occupation tax break approved by South Charleston will save Gestamp \$10 million over 20 years, according to the memo.

As previously reported, the state said it will loan Gestamp \$2.5 million to help it with startup, moving, upgrades, equipment and related expenses. Gestamp won't have to repay the loan if it creates the jobs it has promised.

In addition, the state Economic Development Authority will initially loan the company \$15 million and will loan it \$10 million more once the company's hot stamping lines are received later this year.

The agreement goes on to say the state will provide training and employment services worth \$1.5 million:

- \* "WorkForce West Virginia will provide recruiting assistance, evaluation and screening of potential candidates and labor market support in the amount of in-kind services valued at \$240,000." WorkForce is already taking job applications on its website, [www.workforcewv.org](http://www.workforcewv.org).

- \* "The Governor's Guaranteed Work Force Program will provide training support up to \$2,000 per employee with an initial amount of \$800,000." The company also will be eligible to apply for continued training and retraining assistance.

- \* The state's community and technical college system will pledge up to \$500,000 "for the design and implementation for training initiatives which will create a partnership between Gestamp and the local community college."

Ted Boettner, executive director of the West Virginia Center on Budget and Policy, said, "We are all for a strong economy and good-paying jobs, but how will the state know five years from now if this was a good deal?"

"If the state is allowing Gestamp to apply the \$100 million investment toward leasing the equipment in order to avoid tax responsibility, then it is unclear what actual commitment they are making to South Charleston and to West Virginia.

"Ten million here, \$2.5 million there -- all of a sudden this starts adding up to real money," Boettner said. "It is beginning to resemble a Chinese state-owned enterprise. Let's make sure the state knows what it's paying for in terms of job creation before we all start congratulating each other."

Boettner's nonprofit group studies state policies and advocates for government spending to aid low- and moderate-income residents.

*Contact writer George Hohmann at [busin...@dailymail.com](mailto:busin...@dailymail.com) or 304-348-4836.*

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