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George Hohmann: Gestamp deal's value

By [George Hohmann](#)

CHARLESTON, W.Va. -- What's the total value of the incentives the state showered on Gestamp to reopen the South Charleston stamping plant?

In May, Sean O'Leary, an analyst with the West Virginia Center on Budget and Policy, crunched the numbers and came up with an estimate: \$84.4 million.

Now the consulting firm that helped Gestamp make the deal says the value "could eclipse an estimated \$55 million."

BT ProjectPoint, headquartered in Indianapolis, describes itself as "a specialized independent advisory group" that assists businesses, real estate developers, municipalities and nonprofit clients secure debt financing and economic development incentives.

The firm has published an "Incentives Negotiation Case Study" that outlines how it helped Gestamp pick the South Charleston plant.

BT ProjectPoint said Gestamp needed an existing facility where it could establish a new, state-of-the-art, metal-stamping operation to supply automobile manufacturers.

The firm said it helped Gestamp search for a location. As previously reported, sites in five states -- Ohio, Indiana, Kentucky, Michigan and West Virginia -- made the list of finalists. The firm said all five states offered tax credits and incentives.

"BT ProjectPoint then completed a cross state cost comparative analysis to examine all various cost of doing business, including incentives, at the finalist locations," the firm said. "The cross state comparative examination led to additional incentives being provided to narrow cost disparity differentials."

In the study's "Outcome" section, the firm said Gestamp estimates it will invest up to \$100 million and create up to 400 manufacturing jobs.

State Commerce Secretary Keith Burdette has said Gestamp's investment could eventually total \$150 million. When Gov. Earl Ray Tomblin announced in April that Gestamp would reopen the plant, he said Gestamp could eventually employ 700 people.

BT ProjectPoint said, "The incentive package from West Virginia state and local jurisdictions includes: State Economic Opportunity Tax Credits, Manufacturing Investment Tax Credits, Manufacturing Property Tax Adjustment Tax Credits, Payment in Lieu of Tax (PILOT), Foreign Trade Zone Exemptions, Freeport Exemptions, the Governor's Guaranteed Work Force Training Program, a \$2.5 million forgivable relocation loan and a \$15 million loan from the West Virginia Economic Development Authority."

"Once Gestamp meets hiring and investment goals, the company's incentives and tax savings could eclipse an estimated \$55 million," the firm said.

The study doesn't mention the city business and occupation tax break approved by South Charleston, which will save Gestamp an estimated \$10 million over 20 years.

Ray Park, who owns the plant property, completely renovated the 922,000-square-foot building after the former tenant ceased operations in 2006.

South Charleston Mayor Frank Mullens said on Tuesday that Gestamp is on schedule to get up and running this month.

Reach George Hohmann at busin...@dailymail.com or 304-348-4836.

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Just to be clear, I estimated the value of the tax savings to be \$55.3 million (see our blog post here- <http://blog.wvpolicy.org/2012/05/03/following-up-on-gestamp.aspx>)

The \$84 million figure includes the low interest and forgivable loans offered by the state.

Sean O'Leary

Posted at: August 19, 2012 10:13:30 am

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Let's hope Gestamp does better than some of the other businesses that have started on taxpayer money, like Solyndra.

Posted at: August 19, 2012 10:53:29 am