

300 N. WASHINGTON SQ.
LANSING, MI 48913

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MEMORANDUM

Date: November 17, 2010

To: Michigan Economic Growth Authority

From: Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – A.J.M. Packaging Corporation
Standard MEGA Credit

COMPANY NAME

A.J.M. Packaging Corporation
E-4111 Andover Road
Bloomfield Hills, Michigan 48302

HISTORY OF COMPANY

A.J.M. Packaging Corporation, founded in August 1957, is a major manufacturer of converted paper products, including paper plates, cups, bowls, grocery sacks and bags. The company has its corporate headquarters located in Bloomfield Hills, with manufacturing facilities in New Jersey, Michigan, Ohio, Georgia, Missouri and California. From these locations AJM is able to provide service to some of the industry's leading mass, discount, grocery and drug retailers and wholesalers, as well as food service, institutional and fast food companies, distributors and re-distributors.

The company currently has 686 employees in Michigan.

PROJECT DESCRIPTION

For the proposed project, AJM will be expanding and upgrading its current manufacturing facility in Southgate. The expansion will add between 100,000 and 120,000 additional square feet to the current facility. Additionally, the company also plans to upgrade the electrical system and install over \$20 million in new machinery and equipment. The project will increase the facility's manufacturing capacity related to plates, cups, printing and bags, and enable AJM to expand into the foodservice market.

The company plans to invest approximately \$28.3 million and create 125 jobs over the next five years, with 90 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$454. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 292 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$5,255,228 (current dollars) due to the presence of this facility.

BUSINESS CASE

A.J.M. Packaging Corporation is also considering locating this project at its facility in Vineland, New Jersey. The State of New Jersey has presented the company with an incentive package that includes a job creation grant, access to new employee training funds, reduced rate loan programs and the potential reimbursement of up to 80% of the total amount of state income taxes withheld by the company. The company believes that the New Jersey proposal could provide a \$1.78 million advantage over the Southgate facility in five years. The MEGA tax credit, combined with local tax abatements, would help to offset that advantage and allow the company to locate in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Southgate is willing to consider approval of a property tax abatement under P.A. 198 of 1974 for up to 12 years. The estimated value of the abatement is unknown at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for five years for up to 125 net new employees in excess of the company's established base of 686, subject to the follow:

- The company must create and maintain a minimum of 100 new employees by the end of the third year. Failure to do so will result in the remaining years being forfeited.