



## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

### MEMORANDUM

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**DATE:** July 19, 2006  
**TO:** Michigan Economic Growth Authority  
**FROM:** Jim Donaldson, Vice President  
Business Development  
**SUBJECT:** Briefing Memo – Albemarle Corporation  
Rural Retention MEGA Credit

#### COMPANY NAME AND ADDRESS:

Albemarle Corporation  
330 South Fourth Street  
Richmond, Virginia 23219

#### HISTORY OF COMPANY:

Albemarle Corporation is a global supplier of specialty chemicals. They provide innovative development, manufacturing and marketing of complex chemicals and services and serve as a global supplier of specialty chemicals. Their diversified list of products are sold to a wide range of customers and end markets. With customers in more than 100 countries, their products are sold into end markets that are vital to the global economy, including consumer electronics, petroleum refining, packing, construction, automotive, pharmaceuticals and agrichemicals.

#### PROJECT DESCRIPTION:

Albemarle Corporation is proposing to purchase the failing DSM Pharma Chemicals North America (DSM). In early 2006, DSM announced that it would be closing the facility in South Haven and lay off the 100+ workers at the facility. The community rallied and successfully identified a company – Albemarle Corporation – to purchase the existing DSM facility. The project will save the 109 current DSM employees and will add at least 17 new jobs by 2009.

Total capital investment for this project is roughly estimated to be at \$32 million. This figure includes the purchase of the existing facility, machinery and equipment, and the business itself. It also includes an estimated \$2.4 million investment for upgrades to the existing facility.

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**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 404 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs and adjusted for inflation, would be increased by \$18 million (2006 dollars) due to the presence of this facility.

**BUT FOR:**

As an alternative to investing in the South Haven DSM site, Albemarle is considering expanding their South Carolina pharmaceutical activities. The South Carolina site is existing and fully staffed and therefore would not involve the same level of investment as the purchase of the DSM facility. The expansion of the South Carolina site was part of the company's original growth plan prior to the discussions of purchasing the DSM facility.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of South Haven is very supportive of this project. They have proposed a 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of this abatement is \$193,944. The details of the local commitment to this project cannot be finalized until the company closes on the DSM facility. It is, however, expected to be finalized within 60 days of the MEGA Board action. The City has also committed to allow Albemarle to carry over any abatements granted to DSM.

In addition to the above, the State of Michigan will offer 50 percent abatement of the 6-mill State Education Tax to match the term of the local property tax abatement. The estimated value of this abatement is \$22,320.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent rural retention employment tax credit for 11 years, for up to 139 retained employees. Because this credit is for retention of jobs, it will be subject to a repayment penalty as required by Public Act 24 of 1995 as amended if the company does not meet the requirements outlined in the MEGA Credit Agreement.