



STATE OF MICHIGAN

MICHIGAN JOBS COMMISSION

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MEMORANDUM

DATE: February 19, 1998

TO: Michigan Economic Growth Authority

FROM: Greg Burkart, Director, International and National Business Development

SUBJECT: Briefing Memo-Alsons Corporation

COMPANY NAME:

Alsons Corporation
42 Union Street
Post Office Box 282
Hillsdale, Michigan 49242

HISTORY OF COMPANY:

The Alsons Corporation is the formation of two separate divisions; Mixet, located in Pico River, California, (founded in 1947) and Alsons Corporation, currently located in Hillsdale, Michigan (founded in 1958).

The Alsons Corporation was acquired by the Masco Corporation in 1987. The Masco Corporation is a world-leading producer of consumer products for the home. Alsons Corporation manufactures products under the brand names of Delta Faucet, Peerless, Baldwin Hardware, Merillat (cabinets), Brass-Craft and Hot Spring Spas. Alsons Corporation and Mixet manufacture products under the brand names mentioned above. Approximately 66 percent of product is sold to the replacement/remodeling market through retail outlets such as Home Depot.

Masco is the largest U.S. faucet manufacturer with market share in excess of 35 percent of the American market. Sales for Alsons Corporation product lines reached approximately \$40 million in 1996.

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PROJECT DESCRIPTION:

The Alsons Corporation is considering its current location, Hillsdale, Michigan, or Somerset, Kentucky, for the location of a new manufacturing facility. This new plant would continue to produce the company's current line of products which includes handheld showers, shower heads, shower hoses, shower accessories and tub/shower valves. The project as currently structured will require the company to invest \$13.3 million, in addition to creating 105 net new jobs in Michigan. Choosing the Hillsdale site means that Alsons Corporation will be retaining 156 jobs. The average weekly wage is approximately \$385. Annual payroll will be approximately \$7.6 million at full production. The company has an employee benefit package that averages approximately 16 percent of payroll.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total 154 new jobs in the state by the year 2005. Total state government revenues through the year 2005, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$695,000 (1998 dollars) due to the presence of the Alsons Corporation manufacturing facility.

COST ANALYSIS:

As part of its decision process, the Alsons Corporation has undertaken a comprehensive cost analysis between Somerset, Kentucky, and Hillsdale, Michigan. Based on figures obtained from the company, the annual cost disadvantage for the Alsons Corporation to establish its new manufacturing facility in Hillsdale, Michigan, rather than Somerset, Kentucky, ranges from approximately \$1,014,000 to \$683,000 annually over the term of the incentive. The cost differential is primarily due to building costs, taxes and wages. Michigan Jobs Commission staff has examined these numbers and believes the figures are a fair representation of the cost differential between Michigan and Kentucky.

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OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will be providing a 100 percent abatement of the 6-mill property tax for a period of 12 years, worth up to \$377,000. Additionally, the local government will be applying for an infrastructure grant from the Michigan Renaissance Fund in an amount not to exceed \$1,375,000 for necessary site improvements. Job training funds totaling up to \$265,000 will also be provided.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$1,830,000. The city of Hillsdale will be providing water, sewer, roads and property at an approximate cost of \$150,000.

BUT FOR:

The company has examined the cost differential between locating in Somerset, Kentucky and Hillsdale, Michigan and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset wage, building and tax differentials. The ability to offer MEGA to the company will allow Michigan to create 105 direct jobs and to retain 160 jobs in addition to being in a position for future expansions.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for 6 years for up to 105 new jobs.