



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** November 24, 2008  
**TO:** Michigan Economic Growth Authority  
**FROM:** Amy Deprez, Packaging Team Manager  
Portfolio Management & Packaging  
Ken Murdoch, Project Manager  
Portfolio Management & Packaging  
**SUBJECT:** Briefing Memo – Carlton Creek Ironworks, LLC  
Rural MEGA Credit

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**COMPANY NAME:**

Carlton Creek Ironworks, LLC  
2625 West Winston Road  
Rothbury, Michigan 49452

**HISTORY OF COMPANY:**

In July 2008, Monomoy Capital Partners, L.P. formed Carlton Creek Ironworks, LLC to acquire the assets and business operations of Kurdziel Industries, Inc., a family-owned business that faced significant financial and operational challenges. Carlton Creek is a leading North American provider of gray and ductile iron commercial castings for construction, marine and machine tool industries. The company is the second largest manufacturer of counterweights in North America. Carlton Creek operates two business units: a large iron foundry in Michigan and an international sourcing operation in China.

Carlton Creek Ironworks, LLC currently employs 203 employees in Michigan, which includes 188 at the Rothbury facility.

**PROJECT DESCRIPTION:**

Carlton Creek's goal is to transition its operations in Rothbury to support the production of high-grade ductile iron required by windmill castings. In order to do this the company must invest in machinery and equipment that will allow it to produce castings with high grade metallurgy and become a Tier I and Tier II supplier to the renewable energy windmill industry.

Carlton Creek estimates that the project will include a \$10.3 million capital investment and will create an additional 70 jobs over the next 5 years, with an estimated average weekly wage of \$553. The company also offer health care benefits and will pay a portion of the health care costs.

**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 187 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$3.8 million (2008 dollars) due to the presence of this expansion.

**BUESINESS CASE:**

Carlton Creek Ironworks, LLC has indicated that the Rothbury facility is at a cost disadvantage and that they are also considering China for this project. The company has indicated that lower labor costs, less stringent environmental standards and workplace safety laws contribute to a cost advantage for locating this project in a China versus Rothbury.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Village of Rothbury supports this project and has approved a personal property tax abatement for 12 years under PA198 of 1974. The estimated value of this abatement is \$180,159.

The MEDC has also approved training funds through its Economic Development Training program. The MEDC will provide an employee training grant of \$750 for each new employee for up to 70 jobs and \$500 for each existing employee. The training grant could be worth up to \$146,500.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent Rural MEGA employment tax credit for seven years, for up to 70 net new employees.