

## MEMORANDUM

**Date:** January 18, 2011  
**To:** Michigan Economic Growth Authority  
**From:** Stacy Bowerman, Project Specialist  
Packaging Team  
**Subject:** Briefing Memo – Chemetall US, Inc.  
Retention MEGA Credit

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### COMPANY NAME

Chemetall US, Inc.  
675 Central Avenue  
New Providence, New Jersey 07974

### HISTORY OF COMPANY

Chemetall US, Inc. (“Chemetall”), headquartered in New Jersey, develops, manufactures, and supplies state-of-the-art specialty chemicals. The company started producing industrial cleaners in 1909 and has expanded its product line to include metal treatment and forming, metalworking, and waste treatment chemicals. Their products are used in a range of applications including automobiles, appliances, off-road equipment, and food production processes.

Chemetall is located throughout North, Central, and South America and operates two manufacturing facilities in Michigan. The company currently has 102 employees in Michigan.

### PROJECT DESCRIPTION

Chemetall is consolidating three of its United States manufacturing facilities (LaMirada, California; Jackson, Michigan; and Romulus, Michigan) into a single location. All existing products and product lines will be consolidated into a newly-constructed facility. The new facility could be located in Blackman Charter Township, Jackson County, which will support the consolidation as well as future growth.

Chemetall plans to invest approximately \$20.7 million for the construction of this facility and retain 74 jobs over the next five years as a result of this consolidation. The average weekly wage for the retained jobs will be \$708. 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 retain a total of 149 jobs in the state by the year 2016. It is also estimated that the project would maintain total state government revenues through the year 2016, net of MEGA costs, of \$2.7 million (current dollars) due to the retention of this facility.

### **BUSINESS CASE**

Chemetall is also considering Southern Indiana and Eastern Kentucky for this consolidation. The company indicated that in addition to the lower wage rates at these locations, the real and personal property, job creation incentives, skills enhancement training reimbursement, land at no cost and water electrical hook-ups provided for free were the primary drivers of both locations. The MEGA tax credit offers a sufficient offset allowing them to consider building a new facility in Michigan and retaining most of the jobs currently in Michigan.

### **OTHER STATE AND LOCAL ASSISTANCE**

Blackman Charter Township is supportive of this project and anticipates approval of a 12 year real and personal property tax abatement under Public Act 198 of 1974. The estimated value of this incentive is up to \$2 million in savings.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends approval of up-to a 100 percent retention employment tax credit for five years for the 74 retained employees at the Blackman Charter Township facility, provided that the company maintains at least 74 employees in Michigan.