

# MEMORANDUM

**Date:** February 25, 2010

**To:** Michigan Economic Growth Authority

**From:** Amy Deprez, Manager  
Packaging Team

Kenneth Murdoch, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Cobalt Holdings LLC  
Standard MEGA Credit

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## COMPANY NAME

Cobalt Holdings LLC  
1560 Sherman Avenue, Suite 900  
Evanston, Illinois 60201

## HISTORY OF COMPANY

Cobalt Holdings LLC began in South Holland, Illinois in 2005, and currently does business as Advanced Ground Care. The company is a scrap tire recycling and manufacturing facility, that processes approximately 30,000 tons of scrap tires annually for use as rubber feedstock supply for manufacturing of their own products and other end user markets. Their products are sold through big box retail stores, commercial contractors and independent garden and landscape centers. Elk Distributing, which was purchased by the same group that owns Cobalt Holdings LLC in 2000, is the primary supplier of the recycled tires. Elk Distributing currently operates out of a facility in Elkhart, Indiana.

Neither Cobalt Holdings LLC nor Elk Distributing has employees in Michigan.

## PROJECT DESCRIPTION

As the company planned their expansion it became apparent that it made sense to consolidate Advanced Ground Care and Elk Distributing into one location. The company proposes to consolidate the operations in Sturgis, Michigan and will operate as Cobalt Holding LLC.

Cobalt Holdings proposes to invest approximately \$6.1 million and create 100 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$580. 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 187 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$2 million (current dollars) due to the presence of this facility.

**BUSINESS CASE**

Cobalt Holdings is also considering doing the consolidation in Elkhart, Indiana. The company indicated that Michigan has costs disadvantages in the areas of workers compensation, license plate fees, health insurance, and utilities. They have also indicated that the building being considered in Michigan would require an additional \$257,496 in capital investments related to building improvements.

**OTHER STATE AND LOCAL ASSISTANCE**

The City of Sturgis is supportive of this project and approved a 12 year tax abatement on January 13, 2010. The estimated value of the 12 year abatement is \$169,000.

**RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 70 percent standard employment tax credit for 5 years for up to 100 net new employees in excess of the company's established base of zero.