



MEMORANDUM

DATE: May 23, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development *James Donaldson*
SUBJECT: Briefing Memo – The Coca-Cola Company (Minute Maid)

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COMPANY NAME AND ADDRESS:

The Coca-Cola Company
P. O. Box 1734
Atlanta, Georgia 30301

HISTORY OF COMPANY:

The Coca-Cola Company is the world's most recognized manufacturer, marketer and distributor of soft drink and non-carbonated beverage concentrates, syrups and finished products. The company operates in nearly 200 countries worldwide. Through a division, The Minute Maid Company, the company manufactures and distributes juice and other non-carbonated beverage products at its only facility in Michigan, located in Paw Paw. This plant currently employs 471 and expanded here in 1998 because of a MEGA incentive package.

DESCRIPTION OF PROJECT:

Due to an increase in sales in its chilled juice and pouch beverage products, The Coca-Cola Company needs to expand an existing manufacturing operation. The company is considering expansion of either its Waco, Texas or its Paw Paw, Michigan Minute Maid facility.

The expansion would result in a capital investment of \$12 million in building additions and \$37 million in equipment, for a total of \$49 million. In Michigan, the expansion requires an expenditure of an additional \$5.2 million in a wastewater treatment system to service the facility.

Briefing Memo
The Coca-Cola Company
May 23, 2000
Page Two

The company would hire an additional 150 workers over the next three years. The average weekly wage would be \$631 and employees would receive a benefit package equal to approximately 34% of wages.

Construction of the new production lines would begin in June of 2000 and the new lines would be operational by no later than April of 2001. The company would have 85 additional workers by the end of 2001 and 150 by the end of 2002.

BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 333 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 increase by \$17,493,000 (2000 dollars) due to the presence of The Coca-Cola Company's facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Paw Paw, Michigan and Waco, Texas. Based on figures obtained from the company, the cost disadvantage for The Coca-Cola Company to site this expansion in Michigan rather than Texas ranges from \$200,000 to \$800,000 annually over the term of the incentive.

The most significant factor in this differential is wages, with wages in Texas being seven percent lower than in Michigan. Also, after the local property tax abatement expires in Michigan, property taxes become a significant factor in the cost gap.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide The Coca-Cola Company a 100 percent abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. It is

Briefing Memo
The Coca-Cola Company
May 23, 2000
Page Three

estimated that the value of this abatement will be \$1,149,758. In addition, the state will offer job training assistance of \$500 each for up to 150 new jobs, for a total of up to \$75,000. A Community Development Block Grant in the amount of \$750,000 will be provided to help the company offset some of the up-front expense involved in constructing the wastewater treatment plant required at the Michigan site.

Paw Paw Township will be providing the company with a 50 percent abatement of the local property taxes for a period of 12 years, estimated to be worth up to \$5,119,289.

BUT FOR:

The Coca-Cola Company, when analyzing where to site this expansion project, originally wanted to put the expansion at the Paw Paw location. The company enjoys an excellent work force in Michigan and a good relationship has been developed with the local unit of government. It was then determined that, in order to expand at this site, a new wastewater treatment system, required by the Michigan Department of Environmental Quality, would need to be constructed. This seriously impacted the company's decision-making process, causing the scales to tip in favor of the Texas location. This incentive package is absolutely required in order for the project to be located in Michigan.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 150 net new jobs for a period of seventeen years, and a business activity credit of 100 percent for a period of seventeen years.