

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – Creative Foam Corporation
High Technology MEGA Credit

COMPANY NAME

Creative Foam Corporation
555 Fenway Drive
Fenton, Michigan 48430

HISTORY OF COMPANY

Established in 1969, Creative Foam designs and manufactures foams and plastics for customers in the automotive and medical industries. Recently, Creative Foam diversified its customer base to include wind turbine OEM's and Tier 1 Suppliers in which they produce composite foam kits specifically for the wind blade.

The company currently has 366 full-time employees in Michigan.

PROJECT DESCRIPTION

Creative Foam is planning an expansion of their manufacturing of machined core materials made up of their composite materials to supply the renewable energy market. The final product is a core kit that is used in the production of wind turbine blades. The company is considering locating this project in a vacant building currently owned by the company in the City of Fenton.

The company plans to invest approximately \$1.5 million and create 63 jobs over the next five years, with 5 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$500. 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 144 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$1,406,614 (current dollars) due to the presence of this facility.

BUSINESS CASE

Creative Foam currently produces the core kits for the wind industry at their facility in Longmont, Colorado. When the company originally diversified into this industry, their customers dictated a close proximity to the OEM's facility to lower shipping costs. The current site in Colorado can expand with a more cost effective workforce as compared to hiring a new line of employees at the Michigan site.

OTHER STATE AND LOCAL ASSISTANCE

The City of Fenton will consider a PA 328 tax abatement for up to five years to support this project. Staff estimates the value to be approximately \$55,700.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Alternative Energy High Technology, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for five years for up to 63 net new employees in excess of the company's established base of 366.