



MEMORANDUM

DATE: February 1, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development *Kathy Stuber*
SUBJECT: Briefing Memo – The Dow Chemical Company

COMPANY NAME

The Dow Chemical Company
2030 Dow Center
Midland, Michigan 48674

HISTORY OF COMPANY:

The Dow Chemical Company was formed over one hundred years ago by a young chemist and entrepreneur named Herbert Henry Dow. Dow was drawn to Midland for its vast underground brine deposits, an essential raw material for his new idea - an economical way to produce bromine by electrolysis. From this original process, many new chemicals have been developed for making medicines, food, synthetic rubber, metals, plastics, lubricants, herbicides, insecticides, and numerous other products. The company has grown to a global chemical manufacturer with annual sales approaching \$20 billion and a worldwide workforce in excess of fifty thousand people. In addition to Midland, Dow operates facilities in Southfield, Auburn Hills, Bay City, Hillsdale, Harbor Beach, and Ludington, Michigan.

PROJECT DESCRIPTION:

Dow Chemical is considering either a consolidation of various administrative functions from a future acquisition on the east coast to Midland, or leaving those operations at their present location in Connecticut. This consolidation would create up to 350 jobs in Midland that would have an average weekly wage of \$1314. Dow offers an excellent benefit package. Capital investment would be approximately \$5 million in Midland, however, the project would require extensive relocation costs and other costs, expected to exceed \$40 million, associated with moving from Connecticut.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 479 jobs in the state by the year 2020. Total state government revenues through the year 2020 net of MEGA costs and adjusted for inflation, would be increased by \$24,204,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Midland, Michigan and Danbury, Connecticut. Based on figures obtained from the company, the cost disadvantage for Dow Chemical to locate this expansion in Michigan rather than Connecticut amounts to approximately \$48 million over the life of the incentive. This cost differential is primarily attributable to increased relocation, recruitment, and costs of vacating the facility in Danbury. The state of Connecticut has actively encouraged Dow Chemical to keep and expand this operation in Danbury.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide Dow Chemical a 100 percent abatement of the six-mill State Education Tax for a period to match the local abatement. This abatement could be up to \$138,000. In addition, the city of Midland will offer a 12-year abatement of local property taxes that could be worth up to \$559,600.

BUT FOR:

Because of the \$15 million cost of vacating the Danbury facility and expected relocation and recruitment costs of approximately \$26 million, Dow would be unable to bring these jobs to Michigan without the incentive offered through the MEGA tax credit.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 350 new jobs and a business activity credit of 100 percent, each for a period of 20 years.