



## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

### MEMORANDUM

**DATE:** April 15, 2003  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Ironwood Plastics, Inc.  
Standard Credit

#### COMPANY NAME AND ADDRESS:

Ironwood Plastics, Inc.  
1235 Wall Street  
Ironwood, Michigan 49938

#### HISTORY OF COMPANY:

Ironwood Plastics, Inc. is a family owned business that was incorporated in Michigan in 1979. The company generates \$20 million in annual sales from its locations in Ironwood, Michigan and Two Rivers, Wisconsin. Ironwood Plastics is a custom injection molder of plastic products, providing internal mold making, design, and engineering services. They provide this single source solution to a diverse set of customers, chiefly in the automotive, electrical connector and defense industries. The company currently employs 140 at its Ironwood facility and 50 at the Wisconsin facility.

#### PROJECT DESCRIPTION:

Ironwood Plastics needs to expand their production capacity to meet customer demand. They are considering a site in the Houghton County Airpark Renaissance Zone for a new production facility. This new facility will be staffed with up to 96 employees by the fifth year of operation. Hourly wages are expected to average \$9.50 to \$10 per hour. In the first five years of operation, investment in land, building and equipment is expected to be approximately \$9 million.

#### BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate that this facility will generate a total of 146 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 be increased by \$6.8 million (2003 dollars) due to the presence of this facility.

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**BUT FOR:**

Ironwood Plastics operates a facility in Two Rivers, Wisconsin that could be expanded to meet these production needs. Wisconsin state and local officials have offered incentives to encourage expansion at this location. Because the Wisconsin plant is established and equipped, the expansion could be done at lower cost at that location. In Michigan, the company faces higher labor and facilities costs. This differential is estimated to be \$500,000 per year once the project is fully staffed.

**OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of 30 new employees, up to \$15,000.

The Keweenaw Industrial Council and Houghton County have approved assistance in the form of reduced cost land valued at approximately \$40,000, has paid the MEGA application fee for the company, and will be providing loans for the project at prime rate. Loans totaling \$165,000 from the county revolving loan fund and from the Keweenaw Industrial Council's revolving loan fund have been offered.

The company will also be receiving the benefits of location in a Renaissance Zone, which provides exemption from the single business tax, and from most state and local property taxes. The value of this benefit is estimated to be \$850,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment tax credit for a total of 13 years. We recommend a 100 percent employment tax credit for ten years, a 75 percent employment tax credit for the eleventh year, a 50 percent employment tax credit for the twelfth year, and a 25 percent employment tax credit for the thirteenth year for up to 96 net new employees.