

# MEMORANDUM

DATE: June 11, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell  
Chief Executive Officer  
and Department Director

SUBJECT: Briefing Memo - Lacks Industries, Incorporated

## COMPANY NAME:

Lacks Industries, Incorporated  
5460 Cascade Road, S. E.  
Grand Rapids, Michigan, 49546

## HISTORY OF COMPANY:

Lacks Enterprises, Incorporated was founded in 1961. Lacks Enterprises acts as a holding company for two wholly owned subsidiaries, Lacks Industries, Incorporated and Plastic Plate, Incorporated. Lacks Industries is engaged in the plastic molding and plating business for the automotive and business machine industries. Primary products at the Cascade plant are plating and finishing of exterior automotive parts such as wheel covers and grilles. Lacks Industries has grown steadily to more than 1200 employees in Michigan. The company operations are privately held by the Lacks family and the day to day operations are the responsibility of Dick Lacks, Jr.

## PROJECT DESCRIPTION:

The proposed location of the project would be in Fountain Inn, South Carolina or Kentwood, Michigan. This is a three phase project with the company expanding its assembly and distribution center, building a new electroplating facility, and a molding facility between July of 1996 and mid-1998. Projected total investment is approximately \$37.8 million with \$20.1 million in land and buildings and \$17.7 million in new equipment. This project will create up to 200 new jobs by the end of 1998. Average weekly wage is expected to be \$447.

## BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 545 new jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$24,653,000 (1996 dollars) due to the presence of the Lacks Industries facility.

#### **COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Fountain Inn, South Carolina and Kentwood, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Lacks Enterprises to establish their manufacturing facility in Kentwood, Michigan rather than Fountain Inn, South Carolina is approximately \$350,000 to \$700,000 over the term of the incentive. The cost differential is primarily attributable to state imposed tax costs. Lacks has a facility in Fountain Inn and has operating experience in South Carolina.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

Other state assistance includes a 100 percent abatement of the 6 mill school tax worth approximately \$752,000 over 12 years. Workforce development assistance at \$2,000 per new employee for up to 200 new employees with a total value of \$240,000 will also be provided.

Local assistance includes a property tax abatement that totals approximately \$2.0 million over 12 years.

#### **BUT FOR:**

Lacks Industries would not locate this expansion in Michigan without the MEGA Tax Credit. The credit would be used to offset the greater state-imposed business costs of the single business tax and personal and real property taxes. Electricity costs are also less in South Carolina.

#### **RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 200 new employees and a business activity credit of 50 percent for a period of 10 years.