



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: February 17, 2009  
TO: Michigan Economic Growth Authority  
FROM: Amy Deprez, Packaging Team Manager  
Portfolio Management & Packaging  
SUBJECT: Briefing Memo – Michigan Brewing Company  
Standard MEGA Credit

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COMPANY NAME:

Michigan Brewing Company  
1093 Hughview Drive  
Webberville, Michigan 48892

HISTORY OF COMPANY:

Michigan Brewing Company (MBC), a Michigan based brewer of craft beers, produces over sixteen varieties of beer under the MBC label and four varieties of beer under the Celis brand.

Beer sales in the US increased over the past five years, in part due to the rising trend of the craft beer industry. MBC is poised to capitalize on the surging popularity of craft beers. The company, recognizing the need for more space to grow their product portfolio and respond to the increase in demand, relocated to a new 76,000 square foot facility.

MBC has entered into strategic partnerships with Michigan State University and Working Bugs, LLC that allows it to bring in additional revenue streams and reduce its overhead and energy costs. These strategic partnerships also give MBC access to state-of-the-art lab equipment that allows it to refine its products to a degree not seen in the industry. MBC has also capitalized on its location relative to wheat and corn growers so that while the cost of natural ingredients is going up for its competitors, costs for these necessary ingredients have been reduced for MBC.

MBC currently has 8 full-time and 20 part-time associates in Michigan.

PROJECT DESCRIPTION:

MBC is currently working to secure it newest addition to its product line, the production of a craft beer for American music icon, Kid Rock, in conjunction with Drinks America. The roll-out of this mainstream styled craft beer is set for spring of 2009 with 200,000 cases to be sold this year and projections by Drinks America show this brand in excess of two million cases annually within 3-5 years.

MBC has the needed space for this project within their Webberville facility and plans on investing approximately \$7 million in machinery and equipment and other personal property over the next five years. The project will require the creation of up to 161 new jobs, paying an average weekly wage of \$550. The company will also offer health care benefits and pay a portion of the benefit costs.

**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 394 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$7.4 million (current dollars) due to the presence of this expansion.

**BUSINESS CASE:**

MBC needs the MEGA related tax credits in order to be competitive in the bidding process to secure this work for Michigan. Drinks America had already shopped this to alternate sites in Minnesota and Pennsylvania when it was suggested that Michigan have a chance at the project. The sites in Minnesota and Pennsylvania are much larger than MBC's facility and the other states have offered similar incentives to land the project in their respective state.

In Michigan's favor, Kid Rock wants the production done in Michigan, if at all feasible, using a Michigan based company. MBC is uniquely positioned to handle this project provided that the project is competitive.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Village of Webberville is supportive of this project and anticipates approval of a 12 year property tax abatement (PA 198) within the next 60-90 days. The approximate value of this incentive is not known at this time.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 70 percent standard employment tax credit for seven years, for up to 161 net new employees, over an established employment base of 8.