

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: May 18, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Michigan Packaging Company
Retention Credit

COMPANY NAME AND ADDRESS:

Michigan Packaging Company
700 Eden Road
Mason, MI 48854

HISTORY OF COMPANY:

Michigan Packaging Company (MPC) is a manufacturer of corrugated paper sheets. The company was established in 1967 and began operation in Eaton Rapids, Michigan. In 1995 MPC built a new facility in Mason and doubled its capacity. With this move came new technology and a longterm workforce who welcomed the challenge. In 2002 an additional line was added with the purchase of an Asitrade machine establishing the company in another niche in the market. The Asitrade allows the company to offer a new label application process for our current customer base and has allowed an opportunity to bring new business into the State of Michigan.

PROJECT DESCRIPTION:

This project would be an expansion of the current facility in Mason, Michigan. Investment includes new equipment consisting of a corrugator, material handling roll tracks, conveyors, boiler/steam system, starch system, an Asitrade and various other machinery and building improvements.

There would be no new jobs created, however 105 jobs would be retained with an average hourly wage of approximately \$16.00. Total capital investment is estimated to be \$16,322,000. MPC is also considering locating this facility in Fort Wayne, Indiana.

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Michigan Packaging Company
Briefing Memo
May 18, 2004
Page Two

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 retain a total of 227 jobs in the state by the year 2014. We also estimate that the project would maintain total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$10.5 million (2004 dollars) due to the retention of this facility.

BUSINESS CASE:

MPC is considering an alternative location in the Fort Wayne, Indiana area. While this location would require the construction of a new facility, the company could address storage issues and placement of machinery to maximize productivity. The Mason facility lacks adequate ceiling height to accommodate larger paper rolls. In addition, wages in Indiana would be lower and the community and state are offering an incentive package that would reduce costs significantly in the first several years of operation. The Michigan facility is only 10 years old and is readily marketable for almost any other type of industry.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$667 for each of the 105 retained workers, or up to \$70,000. The state of Michigan has also offered 100 percent abatement of the 6-mill state education tax worth approximately \$303,000 over the same period as the local property tax abatement.

The City of Mason has committed to providing a 50 percent abatement of the company's new real and personal property taxes for 12 years at their May 18, 2004 city council meeting. This tax abatement has an estimated value of \$1,396,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 105 retained employees.