



John Engler, Governor

Doug Rothwell, Chief Executive Officer  
and Department Director

## MEMORANDUM

DATE: February 14, 1997  
TO: Michigan Economic Growth Authority  
FROM: Douglas E. Stiles, Chief Operating Officer  
SUBJECT: Briefing Memo - N-K Manufacturing Technologies, Inc.

### COMPANY NAME:

N-K Manufacturing Technologies, Inc.  
63 Cottage Grove, S.W.  
Grand Rapids, Michigan 49514

### HISTORY OF COMPANY:

N-K Manufacturing Technologies, Inc., currently headquartered in Grand Rapids, Michigan, started in 1995. The company manufactures custom injection moldings of thermoplastic components for the automotive, office furniture, and appliance industries. The company is an affiliate of Nicholas Plastics, Inc., of Allendale, Michigan, and sister company to Vi-Chem Color, Inc., of Grand Rapids, Michigan, and Vi-Chem Corporation, also in Grand Rapids, Michigan. The relationship of these companies are through common principals, management, and/or ownership. The Nicholas Plastics Group employs 404 people. N-K Manufacturing currently employs five on a contractual basis and currently leases 20,000 square feet.

**PROJECT DESCRIPTION:**

Because the company lacks adequate production space in its existing operations, this project will locate an injection molded plastic parts operation in either Bracken County, Kentucky, or Allendale, Michigan. No existing facility was found appropriate for the company's current and future needs. The company provides services that broaden the marketing capabilities of Nicholas Plastics, Inc., by providing injection molding capacity. It also utilizes the compounding, colorant, manufacturing, and R&D capabilities of its sister companies. This project will invest approximately \$10,530,000 in land, building and equipment. It will create up to 95 new jobs with an average weekly wage of \$484/week in the first year of operation with an annual payroll of \$2.2 million. The company expects to create up to 540 new jobs over the term of the MEGA credit. N-K Manufacturing has an employee benefit package that averages approximately 26 percent of payroll net of workers' compensation and unemployment insurance.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,047 new jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation would be increased by \$38,532,000 (1997 dollars) due to the presence of the N-K Manufacturing Technologies, Inc., facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Kentucky, and Allendale, Michigan. Based on figures obtained from the company, the annual cost disadvantage for N-K Manufacturing to establish their manufacturing facility in Allendale, rather than Kentucky, ranges from approximately \$300,000 to \$1.6 million over the term of the incentive. The cost differential is primarily attributable to land costs during the first year, business tax costs, and the Kentucky incentive package valued at \$10 million.

The Kentucky incentive package included incentives for Vi-Chem Color, Inc., which also would be locating a plant in Kentucky and creating an estimated 30 additional jobs. Due to the nature of the MEGA legislation, the Vi-Chem Color, Inc., project would not be eligible for MEGA Credits due to its size, nor, could the job creation be combined with the N-K Manufacturing project. The Kentucky incentive package for Vi-Chem Color, Inc., is valued at an additional \$2 million.

Michigan Jobs Commission staff have examined these numbers and believe they are a fair representation of the cost differentials between Michigan and Kentucky. Other factors which make Michigan a favorable location include the proximity of Nicholas Plastics and the sister companies. Nicholas Plastics provides, and will continue to provide, administrative services to N-K Manufacturing.

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

N-K Manufacturing has been offered a 100 percent abatement of the 6-mill state education tax worth approximately \$181,500. In addition, infrastructure development assistance in the form of a Community Development Block Grant to Allendale, of approximately \$456,000 has been offered.

Local tax abatements for a period of 12 years are estimated to be worth approximately \$552,123.

#### **BUT FOR:**

The company has examined the cost differential between locating in Kentucky, or Michigan, and the factors that could influence it to locate in Michigan despite a cost disadvantage only reduced by MEGA credits and other incentives. Without the additional \$97,000 to nearly \$880,000 annual MEGA incentive, at full production, to cover utility, tax, and incentive differentials, the company would not consider a location in Michigan.

#### **RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 540 net new employees.