



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: September 14, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development *[Signature]*
SUBJECT: Briefing Memo – Nicholas Plastics, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Nicholas Plastics, Inc.
11700 48th Avenue
Allendale, Michigan 49401

HISTORY OF COMPANY:

Nicholas Plastics, Inc. was founded in 1978 and is a diversified manufacturer of plastics product including profile extrusion and low pressure moldings utilizing thermoplastic compounds. The company is based in Allendale but also has subsidiary operations in Grand Rapids and Monterrey, Mexico. The company and its subsidiaries currently have 391 employees in Michigan.

PROJECT DESCRIPTION:

Nicholas Plastics has been awarded a new automotive contract for truck body-side moldings and they need to expand their operations. The product produced will be distributed to manufacturing facilities throughout the US, Mexico and Canada. In order to accommodate this growth, Nicholas Plastics will need to add 120,000 square feet of manufacturing space to their existing facility in Allendale Township. The project would lead to the creation of 75 new jobs in the first year of the project and up to 250 new jobs over the next five years. The new positions would pay an average weekly wage of \$507.

The project would require a capital investment of \$18.0 million, including \$6.6 million for a new building and site development and \$11.4 million for new machinery, equipment and tooling. Construction on the facility would begin in October, with building completion expected by March 2005.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 374 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 \$13,870,000 (2004 dollars) due to the presence of this facility.

BUT FOR:

Nicholas Plastics is also considering their facility in Monterrey, Mexico for this expansion. The Monterrey facility provides Nicholas with a substantial cost savings due to lower labor rates in Mexico. This savings is estimated at several million dollars per year once the facility is fully operational. The company has also received a commitment from their current landlord in Monterrey for additional building space which could then be leased by Nicholas Plastics.

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 the first 150 workers, or up to \$75,000. The state will also provide, pending approval of local property tax abatement, a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This value of this abatement is estimated at \$376,400.

Allendale Township is expected to approve a 50 percent abatement of the company's new real property for 12 years and new personal property for six to 12 years on September 13, 2004. The estimated value of the local property tax abatement is \$1.2 million if both abatements are approved for 12 years.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years, for up to 250 net new employees, contingent on Allendale Township approving 12 year tax abatement on both real and personal property. If Allendale Township approves abatements for less than 12 years, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 250 net new employees.