

MEMORANDUM

Date: July 20, 2010
To: Michigan Economic Growth Authority
From: Greg West, Project Specialist
Packaging Team
Subject: Briefing Memo – Piranha Hose Products, Inc.
Rural MEGA Credit

COMPANY NAME

Piranha Hose Products, Inc.
2500 Weigel Street
Cadillac, Michigan 49601

HISTORY OF COMPANY

Piranha Hose Products, founded in 1946 as the Polymer Corporation, manufactures high pressure, thermoplastic hoses, including paint spray, hydraulic and sewer hoses. DSM purchased the company in 1961 and in 1998, Avon Rubber Products bought and moved the company to Cadillac, Michigan. Piranha was again purchased in 2004 by 3 former Avon employees who then moved it to its current facility in Cadillac. Finally, in April 2005, Kuriyama of America purchased Piranha Hose and they are the current owners.

The company currently has 68 employees in Michigan.

PROJECT DESCRIPTION

This project will be an expansion of Piranha Hose's current facility in Cadillac, and will allow the company to enter into the oil and gas markets. In order to make this transition, the company must add capacity for larger diameter products as well the capability to make longer lengths of all products. The investment in the projects includes the expansion/renovation of the current facility, the addition of specialized braiding machinery and larger material handling equipment, as well as the addition of testing equipment. The project qualifies for a Rural MEGA, as it is located within Wexford County, which has a population of less than 90,000 residents.

The company plans to invest approximately \$6.35 million and create up to 45 jobs over the next five years, with 9 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$624. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 107 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$1,128,697 (current dollars) due to the presence of this facility.

BUSINESS CASE

Williamsport, Indiana is also being considered for this expansion. As Piranha Hose Products is both a manufacturing plant and distribution center, if the expansion were to occur in Cadillac, the company would pay higher shipping costs than if the project were located in Indiana. There is also a wage difference between the Michigan and Indiana facilities. The MEGA tax credit would help to offset these competitive disadvantages and help to make it possible for this expansion to happen in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Cadillac is supportive of the project and anticipates the approval of a 12-year PA 198 tax abatement. The estimated value of this abatement is \$539,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for 5 years for up to 45 net new employees in excess of the company's established base of 79.