



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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Date: June 16, 2009
To: Michigan Economic Growth Authority
From: Amy Deprez, Manager
Packaging Team
Joshua Hundt, Project Specialist
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Subject: Briefing Memo – Ralco Industries, Inc.
Standard & Retention MEGA Credits

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COMPANY NAME

Ralco Industries, Inc.
2720 Auburn Court
Auburn Hills, MI 48326

HISTORY OF COMPANY

Ralco Industries, Inc. (Ralco), located in the City of Auburn Hills, is a supplier of welded assemblies, metal stampings, design, prototype, and tooling for the automotive industry. The company utilizes their superior capabilities for precision and compliance with customer standards to provide flawless products in their manufacturing process. The company supplies a wide range of customers throughout the automotive industry. Ralco is TS-16949 certified and has been recognized as a finalist for the progressive manufacturing award from the magazine "Managing Automation".

Ralco currently has 50 employees in Michigan.

PROJECT DESCRIPTION

The proposed project will be a retention and expansion of Ralco's operations in the State of Michigan. Due to their fast growing customer base the company has outgrown their current facility and plans to move to a larger facility in the City of Pontiac, Oakland County. This facility will serve as the company's corporate and manufacturing headquarters in North America.

Ralco will invest approximately \$6.45 million, creating 108 qualified new jobs and retaining 50 qualified jobs over the next five years as a result of this project. The average weekly wage for the new jobs will be \$679, with the average weekly wage of the retained jobs being \$766. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 retain a total of 175 jobs and create a total of 375 in the state by the year 2016. It is also estimated that the project would maintain total state government revenues through the year 2016, net of MEGA costs, of \$11,557,913 (current dollars) due to the retention and expansion of this facility.

BUSINESS CASE

Ralco Industries, Inc. also considered Shelbyville, Tennessee for this project. The company would pay lower wages and taxes in Shelbyville than in Michigan. The Shelbyville location would also put them closer to some of their new customers.

OTHER STATE AND LOCAL ASSISTANCE

The City of Pontiac is supportive of this project and plans to approve a property tax abetment under PA 328 of 1998. The estimated value of this incentive is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for seven years for the 50 retained employees and a 100 percent new jobs employment tax credit for seven years for up to 108 net new employees in excess of the company's established statewide employment base of 54.