



## MEMORANDUM

**DATE:** September 17, 2001

**TO:** Michigan Economic Growth Authority

**FROM:** Jim Donaldson, Vice President  
Michigan Business Development

**SUBJECT:** Briefing Memo – Recticel North America, Inc.

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### COMPANY NAME AND ADDRESS:

Recticel N.A., Inc.  
1653 Atlantic Boulevard  
Auburn Hills, Michigan 48326

### HISTORY OF COMPANY:

Recticel North America, Inc. was created in 1995 when Colorim Systems, Inc. was merged with newly formed Recticel North America, which is a subsidiary of Recticel N.V., a Belgium Corporation. Recticel N.A., which is currently located in Auburn Hills, is primarily a chemical compounding operation. The company compounds over 8 million pounds of material each year. These materials are then combined by Recticel's customers through a process called Reaction Injection Molding (RIM) and used primarily for automotive window encapsulation. Worldwide Recticel N.V. employs over 11,000 people including 35 currently in Auburn Hills.

### PROJECT DESCRIPTION:

Recticel needs to expand its operations in order to begin manufacturing a newly developed product, molded interior skins for automotive interiors, which will be used by Tier 1 automotive suppliers. In addition to the manufacturing, the project will also expand its North American Headquarters, allow for the development of a Research and Development Center, and provide Quality Laboratories. Recticel is proposing to lease a new 260,000 square foot facility to be constructed on 18 acres in Independence Township. The building would be constructed in two phases. The new plant would require an investment of \$48.8 million, including \$12.6 million in capitalized lease costs and

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\$36.2 million for new machinery and equipment. The facility would be leased for 10 years, with an additional 15-year option.

The project would include the addition of 286 new workers, including 105 in the first year of operations. The average weekly wage will be \$681, with a benefit package worth up to 25 percent of wages. Construction on the facility would begin no later than November 2001, with initial production beginning in April 2003. The facility would be fully operational by April 2004.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 454 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$13.6 million (2001 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company decision-making process, Recticel conducted a comprehensive analysis between Independence Township, Michigan and Oshawa, Ontario, Canada. The major cost gap being faced by the company is the additional transportation costs incurred if the facility is located in Michigan. The company estimates that locating a facility in Michigan, instead of in close proximity to its Tier 1 supplier in Canada, will increase transportation costs by nearly \$1 million per year. Some of those costs are offset by higher corporate taxes in Canada, but a cost gap of \$400,000 per year will still remain.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for the first 200 new employees, totaling up to \$200,000. In addition, the company is eligible for an Investment Tax Credit of up to \$227,300.

Independence Township will assist in the location of Recticel by contributing approximately \$1 million for infrastructure road improvements on Sashabaw Road. The project will reconstruct

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Sashabaw Road into a boulevard cross-section from a two-lane road. The improvement of Sashabaw Road is essential to the success of Recticel, as well as future projects to be located in the Independence Corporate Park. In the past several other projects have been deterred from locating in the Corporate Park because of the poor condition of Sashabaw Road. Construction would begin in the spring of 2002.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a ten-year MEGA employment credit of 100 percent for the first five years and 75 percent for the remaining five years for up to 286 net new jobs.