



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

100 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER  
CONTACT CENTER  
317 373 9808

WWW.MICHIGAN.ORG

DATE: August 1, 2005  
TO: Michigan Economic Growth Authority  
FROM: Jim Donaldson, Vice President  
Business Development  
SUBJECT: Briefing Memo – S2 Yachts, Inc.  
Standard, Look-Back Credit

EXECUTIVE COMMITTEE

MATTHEW P. CULLEN  
Chair  
General Motors

PHILIP H. POWER  
Vice-Chair  
HCN, Inc.

DONALD E. JAKEWAY  
President & CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

JOHN W. BROWN  
Stryker Corporation

DR. DAVID E. COLE  
Center for  
Automotive Research

JOANN CRARY  
Saginaw Future Inc.

DR. HAIFA FAKHOURI  
Arab American and  
Chaldean Council

STEVEN K. HAMP  
The Henry Ford

JAYDEN H. HARRIS  
EDF Ventures

PAUL HILLEGONDS  
DTE Energy Company

DAVID C. HOLLISTER  
Michigan Department of  
Labor & Economic Growth

GEORGE JACKSON JR.  
Detroit Economic Growth  
Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC.

MAYOR ROBERT B. JONES  
City of Kalamazoo

MARGIT M. KLOHS  
The Right Place, Inc.

DR. IRVIN D. REID  
Wayne State University

RICHARD SHOEMAKER  
UAW International

MARTIN TAYLOR  
Detroit Renaissance

MARY TORGOW  
Sterling Group

ETER S. WALTERS  
Guardian Industries Corp.

COMPANY NAME AND ADDRESS:

S2 Yachts, Inc.  
725 East 40<sup>th</sup> Street  
Holland, Michigan 49423

HISTORY OF COMPANY:

S2 Yachts, Inc. designs and manufactures high-quality, world class watercraft. The company, which manufactures boats under the Tiara and Pursuit brand names, has been in Michigan since 1955, when it was known as Slickcraft Boat Company. The company was changed to S2 Yachts in 1974 and now makes boats ranging from 22 feet to 52 feet. S2 Yachts currently has operations in Fort Pierce, Florida, Swansboro, North Carolina and Holland, Michigan, where there are currently 640 employees.

PROJECT DESCRIPTION:

S2 Yachts would like to consolidate their Tiara Boat manufacturing operations in order to accommodate growth and maximize efficiencies. The company is considering adding 100,000 square feet of manufacturing space in Holland to accommodate this project. The project would lead to the creation of 99 new jobs in the first year of the project and a total of 400 new jobs over five years once phase II is completed. The new positions would start with an average weekly wage of \$600.

The MEGA credit would require a new capital investment of \$7.5 million, including \$6 million for building costs and \$1.5 million for new machinery and equipment for the first phase of the project. Phase II would add another 100,000 square feet and would be completed two years after the initial project. Phase II would include another \$6.5 million in capital investment, including \$6 million for building costs and \$500,000 for new machinery and equipment.



Briefing Memo  
S2 Yachts, Inc.  
Page Two

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 594 jobs in the state by the year 2019. We also estimate that the project would create total state government revenues through the year 2019, net of MEGA cost and adjusted for inflation, of \$26.9 million (2005 dollars) due to the location of this facility.

**BUT FOR:**

S2 Yachts currently operates two Tiara manufacturing facilities in Holland and Swansboro, North Carolina and the company considered North Carolina for the new expansion and consolidation project. A cost comparison analysis completed between Swansboro and Holland indicated wages were 10 to 13 percent lower in North Carolina, saving the company nearly \$2 million per year when the facility is fully operational. The North Carolina facility is also located on the inter-coastal waterway so the facility has a wet-dock which allows boats to be placed directly in the water once completed. Boats being manufactured in Holland will have to be shipped by truck and this will also increase costs to the company since a large portion of their customers are in the SE United States.

**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 400 new hires, up to \$200,000. In addition, the state of Michigan will also provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$462,000.

The City of Holland has proposed a 100 percent PA 328 personal property tax abatement for twelve years, and a 50 percent PA 198 real property tax abatement for twelve years. The estimated values of the local property tax abatement are \$318,000 for the PA 328 and \$1.8 million for the PA 198. The local property tax abatements are expected to be approved by August 17.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for 13 years, for up to 400 net new employees.