

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Kenneth Murdoch, Project Specialist
Packaging Team

Subject: Briefing Memo – Skilled Manufacturing, Inc.
Rural MEGA Credit

COMPANY NAME

Skilled Manufacturing, Inc.
3680 Cass Road
Traverse City, Michigan 49684

HISTORY OF COMPANY

Skilled Manufacturing, Inc., established in Michigan in 1980, has been an automotive parts manufacturer for almost 30 years. In 2007 Skilled Manufacturing entered into the aerospace business. The company has secured contracts with Honeywell and has begun producing prototype engine components.

Skilled Manufacturing currently has 147 employees in Michigan.

PROJECT DESCRIPTION

Skilled Manufacturing has diversified into the aerospace business and has secured several contracts with Honeywell for jet engine parts that were formally produced in China. The company is currently making prototypes for these contracts and hopes to begin producing these parts in early 2010. The project will be located in a vacant facility that the company owns in Traverse City, Grand Traverse County, which has a population of less than 90,000 and qualifies the project as a Rural MEGA.

Skilled Manufacturing Inc. will invest approximately \$9.5 million and create 73 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$660. 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 168 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$4.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Skilled Manufacturing also considered Arizona and Nevada for this project. The company would have lower transportation and shipping costs if the project was located on the west coast near the aerospace industry.

OTHER STATE AND LOCAL ASSISTANCE

The City of Traverse City is supportive of this project and approved a P.A. 198 and 328 on November 2, 2009. The estimated value of these abatements is \$748,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years for up to 73 net new employees in excess of the company's established base of 147.