

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – SoundTech, Inc.
Retention MEGA Credit

COMPANY NAME

SoundTech, Inc.
3880 SoundTech Court
Grand Rapids, Michigan 49512

HISTORY OF COMPANY

SoundTech, Inc., formed in 1987, engineers and manufactures acoustical and thermal insulation solution products. The company uses a variety of materials including glass textile fabrics, synthetics, natural fibers and polyesters in its products that are currently used in the automotive, furniture, and appliance industries.

SoundTech also manufactures a proprietary acoustical wall system designed to reduce noise that can be used in the healthcare, educational and commercial building markets. Additionally, SoundTech is the sole North American distributor for Scandatex, a glass textile fabric wallcovering. This paintable wallcovering is an environmental alternative to traditional vinyl wallcovering.

SoundTech, Inc. currently has 51 employees in Michigan.

PROJECT DESCRIPTION

SoundTech will be investing in new machinery and equipment at its Kentwood, Michigan facility to support its product lines for Scandatex wallcovering and its “SoundCoustic” wall system. These products are poised to allow the company to enter new markets including the healthcare, hospitality and education building markets. This investment will not only ensure that the company remains in Michigan, it will also support potential growth due to the addition of these new product lines.

SoundTech, Inc. will invest approximately \$5.1 million and retain 51 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$758. The company also offers healthcare benefits, and pays a portion of the benefit cost.

There are not any other Michigan businesses known in the same industry.

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 119 jobs in the state by the year 2014. It is also estimated that the project would maintain total state government revenues through the year 2014, net of MEGA costs, of \$2,675,077 (current dollars) due to the retention of this facility.

BUSINESS CASE

SoundTech has been urged to locate close to one of its major customers in Alabama or Tennessee. The company has found that energy costs, wage rates and business and property taxes are lower at these alternative sites in Limestone, Alabama and southern Tennessee. With SoundTech's main competitors being located in the Alabama, Tennessee, Kentucky region, the company needs to lower costs to be more competitive when bidding against these companies.

OTHER STATE AND LOCAL ASSISTANCE

The City of Kentwood is supportive of this project and anticipates approval of a PA 198 tax abatement on the new personal property investment related to this project. 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 five years for the 51 retained employees at the Kentwood facility.