



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: December 18, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Speedrack Products Group, Ltd.

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COMPANY NAME AND ADDRESS:

Speedrack Products Group, Ltd.
7903 Venture Avenue
Sparta, Michigan 49345

HISTORY OF COMPANY:

Speedrack Products Group, Ltd. is a manufacturer of metal warehouse storage/pallet racks. The company was founded in 1989 by a group of three individuals who had over 60 years experience in the rack manufacturing business. The company is headquartered in Sparta, Michigan, where they also operate Centerline Sales, Inc., the sales arm of the company. Together, the companies currently have 51 employees in Michigan.

PROJECT DESCRIPTION:

Speedrack is proposing to consolidate both of their current production facilities (located in Alabama and West Virginia) to the former Acorn Window plant in Quincy, Michigan. The company will spend \$4.3 million to purchase and renovate the 330,000 square foot facility. In addition, Speedrack will spend \$4.3 million on new machinery and equipment, as well as transferring existing equipment from the two existing facilities, bringing the total project investment to over \$8.6 million. The project will create a total of 300 new jobs, including 100 new jobs in the first year. The average weekly wage will be \$540 with a full benefit package. Renovation and environmental response activities would begin in January, 2002 with initial occupation in July, 2002. The facility is expected to be fully operational by December, 2002. The company is also considering a location in LaPorte, Indiana for the project.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 581 jobs in the state by the year 2006. Total state government revenues through the year 2006, net of MEGA costs and adjusted for inflation, would be increased by \$5.9 million (2001 dollars) due to the presence of this facility.

BUT FOR:

As part of the company's decision-making process, it conducted a comprehensive analysis between Quincy, Michigan and LaPorte, Indiana. Speedrack has estimated that the operating costs in Indiana will be approximately \$500,000 less per year due to lower wages, workers compensation, electric utility rates, corporate income and property taxes in Indiana. In addition, some environmental contamination has been found at the site in Quincy and approximately \$800,000-\$1,000,000 worth of environmental response activity will have to be completed before the company can occupy the site.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$91,300. In addition, the state of Michigan will provide the local community a Community Development Block Grant worth up to \$805,000 to provide sewer system improvements and road completion for the company. Finally, the company will apply to the Michigan Department of Environmental Quality for a Site Reclamation Grant for up to \$1,000,000 worth of environmental response activities at the site.

The Village of Quincy has proposed a 50 percent abatement of the company's real property improvements and new personal property taxes for twelve years. The estimated value of this local abatement is \$441,400.

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RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 300 net new employees for a period of five years and a business activity credit of 100 percent for five years.