

MEMORANDUM

DATE: March 14, 2006

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development

SUBJECT: Briefing Memo – Surefil, LLC
Standard MEGA Credit

COMPANY NAME AND ADDRESS:

Surefil, LLC
4560 Danvers Drive SE
Kentwood, MI 49512

HISTORY OF COMPANY:

Surefil, LLC is a newly formed, privately held contract manufacturer providing custom filling solutions to the personal care and medical industries, established and backed by experienced businessmen from the Grand Rapids area. The company will serve major brand companies offering custom filling solutions for personal care and medical products. Products are expected to include over-the-counter products and products classified as Type II medical devices by the Food and Drug Administration, such as medicated shampoos, conditioners, mouthwash lotions and gels.

PROJECT DESCRIPTION:

Surefil is proposing to set up their headquarters and manufacturing and filling facilities at a 54,000 square foot site in the City of Kentwood that has currently been vacant for over one year. The site would require more than \$1.4 million in improvements, upgrading it to a state-of-the-art manufacturing facility that would include high speed filling equipment that would fill 150-200 bottles a minute. Future plans could include the purchase of an adjacent vacant lot and the construction of an addition, giving the company 120,000 square feet of production and packaging space.

The project would lead to the creation of 75 new jobs in the first year of the project and 278 new jobs over five years. The new positions will pay an average starting weekly wage of \$720.

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Total capital investment for the project will be approximately \$6.2 million, including \$3.1 million in new construction, renovation and site improvements and \$3.1 million in new machinery and equipment.

In lieu of reviewing financial statements for this start-up operation, the Company has provided evidence that a bank has approved financing for this project contingent upon the Company obtaining a MEGA tax credit. A copy of that letter is attached to this memo.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 442 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$12.9 million (2006 dollars) due to the presence of this facility.

BUT FOR:

Surefil also considered establishing their operations in New Castle, Pennsylvania. The State of Pennsylvania and the City of New Castle have offered incentives that would result in lower wages, lower electrical costs and lower property taxes. In addition the company would have lower transportation costs as the majority of their customers are located on the Eastern Seaboard.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will 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 \$88,000. In addition, training dollars will be made available at the rate of \$500 per job for the first 200 jobs.

The City of Kentwood has approved a 50 percent PA 198 tax abatement for the new real property for 12 years and personal property related to this project for eight years. The estimated value of this abatement is \$338,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 10 years, for up to 278 net new employees.