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MEMORANDUM

DATE: September 18, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President *mm*
Development Finance
Toni Brownfield, Project Manager
Development Finance

SUBJECT: Briefing Memo – Thunder Bay Development LLC
Rural Credit

COMPANY NAME AND ADDRESS:

Thunder Bay Development LLC
615 McKinley Street
Alpena, Michigan 49707

HISTORY OF COMPANY:

Thunder Bay Development LLC would be operated as part of Allegheny Technologies Inc. (ATI) Casting Service, which has been in operation in LaPorte, Indiana for 73 years. ATI Casting Service was an operating company of Teledyne, Inc. for approximately 30 years prior to Teledyne's 1996 business combination with Allegheny Ludlum Corporation. This business combination formed what is known today as Allegheny Technologies Incorporated (ATI), which is a publicly traded company on the New York stock exchange. ATI Casting Service is one of the operating companies of ATI's Engineered Products segment and produces grey and ductile iron castings to virtually any specification.

PROJECT DESCRIPTION:

Allegheny Technologies Inc. (ATI) is considering the purchase and reopening of the former Thunder Bay Manufacturing facility, which ceased operations in May 2007, located in Alpena, Michigan. ATI will form a new entity called Thunder Bay Development LLC that will be a manufacturer of grey and ductile iron castings concentrated on wind energy castings.

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To support this project, the company will make an initial capital investment of approximately \$15 million to acquire, equip, and renovate the building. Thunder Bay Development LLC will hire up to 150 employees over the next five years, paying an average weekly wage of \$646.

BENEFITS 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 create a total of 368 jobs in the state by the year 2014. It is also estimated that the project would increase total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, by \$7.7 million (2007 dollars) due to the expansion of this operation.

BUT FOR:

ATI is considering expanding their existing facility in La Porte, Indiana. When comparing the Michigan and Indiana locations, the company estimates that wage rates in Indiana are significantly lower. However, strategic reasons such as opening an existing Michigan facility in one month versus constructing an expansion and opening in two years help bridge the wage cost gap.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Alpena has proposed and will consider a 100% abatement of the company's new personal property taxes under PA328 for nine years at its September 17 council meeting. The estimated value of this abatement is \$1.6 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 150 net new employees if at least 100 new jobs are created in the state.