



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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 – Wacker Chemical Corporation
Retention MEGA Credit

COMPANY NAME

Wacker Chemical Corporation
3301 Sutton Road
Adrian, MI 49221

HISTORY OF COMPANY

Wacker Chemical Corporation (WCC) is the North American headquarters of Wacker Chemie AG. headquartered in Germany. WCC produces a variety of chemicals and product applications found in a wide array of consumer products stemming from household items, automotive, medical grade products, textiles, microelectronics and construction materials. WCC has three business divisions in North America: Wacker Polymers, Wacker Silicones and Wacker Fine Chemicals, all headquartered at their facility in Adrian. This facility also houses 40 research and development laboratories, logistical support, batch fluid manufacturing for Wacker Silicones division, distribution center as well as all administrative staff for all three North American divisions.

WCC currently has 466 employees in Michigan.

PROJECT DESCRIPTION

The Duncan, South Carolina textile fluids manufacturing facility is scheduled to close and its operations will be consolidated within the company's global infrastructure. This facility is the largest textile fluids manufacturing site for the Wacker Silicones division in the U.S., producing processing aids and finishes for the paper and fabric industry. The Adrian facility is under consideration for the consolidation as well as more modern facilities in China and Germany.

Currently, the Adrian facility only produces batch quantities of its products and would require a large investment in automated manufacturing machinery and equipment as well as infrastructure upgrades to accommodate a higher volume of fluids manufacturing.

WCC will invest approximately \$23.7 million and retain 156 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$1,055. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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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 retain a total of \_\_\_\_\_ jobs in the state by the year 20\_\_\_\_. It is also estimated that the project would maintain total state government revenues through the year 20\_\_\_\_ net of MEGA costs, of \$ \_\_\_\_\_ (current dollars) due to the retention of this facility.

#### **BUSINESS CASE**

Wacker Chemie AG has manufacturing plants across the world, including two in China and one in Germany that currently have the automated manufacturing machinery and equipment and have capacity to take the additional volume of the Duncan, South Carolina facility. The trend in the textile industry is to move production to China and to move suppliers and support functions to China as well.

#### **OTHER STATE AND LOCAL ASSISTANCE**

Raisin Township is supportive of this project and anticipates approval of local tax abatements. The estimated value of this incentive is not known at this time.

The MEDC will recommend support for a 12.5 percent Small Brownfield Redevelopment MBT credit valued at \$1.25 million for eligible investment associated with this project.

#### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for 10 years for the 156 retained employees at the Adrian facility, provided that the company maintains at least 410 employees at the facility for the duration of the credit. Failure to do so will disqualify the company from the credit for that year.