

MEMORANDUM

Date: 8/17/2010
To: Michigan Economic Growth Authority
From: Greg West, Project Specialist
Packaging Team
Subject: Briefing Memo – Wausaukee Composites – Owosso, Inc.
Rural (Look-back) MEGA Credit

COMPANY NAME

Wausaukee Composites – Owosso, Inc.
401 S Delaney Road
Owosso, Michigan 48867

HISTORY OF COMPANY

Wausaukee Composites, Inc. has been producing fiberglass products since 1966. The company is a leading manufacturer of engineered composite components for OEM customers in a number of various industries, including construction and agricultural equipment, mass transportation and wind energy. The company provides composite plastic and fiberglass components to more than 35 OEM customers globally. Wausaukee Composites acquired Nero Plastics, Inc. of Owosso, Michigan on November 30, 2007, with Nero Plastics being renamed Wausaukee Composites - Owosso, Inc. on July 30, 2008. Wausaukee Composites - Owosso, Inc. is a wholly owned subsidiary of Wausaukee Composites, Inc.

The company currently has 132 employees in Michigan.

PROJECT DESCRIPTION

For the project, Wausaukee Composites will be renovating and expanding the capacity of an existing facility and purchasing and renovating a currently leased facility, both in Owosso Charter Township. The components the company has traditionally supplied were “ready to paint”; however a shift in customer demand now requires the company to be able to ship pre-painted components. In order to meet this requirement, Wausaukee Composites will need to install a Class -A paint system. By the third year of the project’s operations, the company anticipates the purchase and renovation of an adjacent building, currently being leased by the company, to accommodate the volume of the new business expected. At that time, there would be additional renovations related to the project made.

The company plans to invest approximately \$1.9 million and create 156 jobs over the next five years, with 74 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$500. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. As the project is located within Shiawassee County, population of less than 90,000, the company is able to qualify for a Rural MEGA.

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 generate a total of 361 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$5,226,091 (current dollars) due to the presence of this facility.

BUSINESS CASE

Wausaukee Composites has indicated that locating their expansion in Michigan presents several disadvantages when compared to locating this project in Wisconsin. The Wisconsin facilities being considered are located closer to the corporate headquarters, where the majority of the company's engineering, quality management, and technical manufacturing professional staff reside. This places Michigan at a disadvantage as the complexities of this Class-A paint project will require substantial technical support in the start-up, and operating phases. In addition, the State of Wisconsin has offered an economic incentive package in support of the project that consists of a forgivable loan, workforce recruitment, job training and workforce development assistance.

OTHER STATE AND LOCAL ASSISTANCE

Owosso Charter Township is supportive of the project and anticipates the approval of a 12-year PA 198 tax abatement. The estimated value of this abatement is \$40,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends an 85 percent rural employment tax credit for 5 years for up to 156 net new employees in excess of the company's established base of 132.

A look-back period will be established as of June 4, 2010 or 90 days prior to the execution of the Credit Agreement, whichever is shorter. Employees hired after the establishment of the look-back period will count as qualified new jobs provided that they meet all the requirements outlined in the MEGA Credit Agreement.