

## MEMORANDUM

**Date:** January 18, 2011

**To:** Michigan Economic Growth Authority

**From:** Stacy Bowerman, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Avon Protection Systems, Inc.  
Rural MEGA Credit

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### COMPANY NAME

Avon Protection Systems, Inc.  
503 Eighth Street  
Cadillac, Michigan 49601

### HISTORY OF COMPANY

Avon Protection Systems, Inc. (“APS”), established in 2003, is a wholly-owned subsidiary of Avon Rubber, PLC. Avon Rubber has produced respiratory protection systems (gas masks) for the United Kingdom’s Ministry of Defense for over 50 years. In 1999, Avon Rubber was awarded a contract for gas masks from the United States Department of Defense and created a new business, APS, to service this customer. Since 2003, APS has grown significantly at their Cadillac location to support the increased demand for gas masks from the Department of Defense.

APS currently has 276 employees in Michigan.

### PROJECT DESCRIPTION

APS plans to expand production of gas masks for first responders outside the Department of Defense as well as begin research and development on a specialized filter that will be used by the United States Special Operations Command (USSOCOM). The design, development, and manufacturing of both products will be shared between the company’s manufacturing operations and warehouse located in the City of Cadillac, Wexford County. The company will be expanding its Seventh Street warehouse facility, which will free up space at their Eighth Street facility allowing APS expand its workforce. Wexford County has a population of less than 90,000, which qualifies this project for consideration under the Rural MEGA incentive.

The company plans to invest approximately \$600,000 and create up to 143 jobs over the next five years as a result of the project. The average weekly wage for the newly created jobs is anticipated to be \$440. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. 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 340 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$7.2 million (current dollars) due to the presence of this facility.

#### **BUSINESS CASE**

The company's Board of Directors is also considering Baltimore, Maryland for this project. APS currently has a facility that could support the prototype and manufacturing cell of the USSOCOM filter. The Baltimore location would also satisfy their customer's request that they develop this product close to their Maryland location. The APS Cadillac management team has been working diligently to convince the Board to locate this project in Michigan. The MEGA tax credit, combined with local incentives and experienced workforce at the Cadillac location, would offset the advantages of locating the project in Baltimore.

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

The City of Cadillac is supportive of this project and anticipates approval of a 12 year real and personal property tax abatement under PA 198 of 1974. The estimated value of this incentive is not known at this time.

#### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for six years for up to 143 net new employees in excess of the company's established base of 276.