



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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Date: June 16, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager  
Packaging Team

Marcia Gebarowski Project Specialist  
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Subject: Briefing Memo – CertainTeed Ceilings Corporation  
Retention MEGA Credit

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COMPANY NAME

CertainTeed Ceilings Corporation  
200 South Main  
L'Anse, Michigan 49946

HISTORY OF COMPANY

CertainTeed Ceilings Corporation manufactures and distributes acoustical ceiling systems throughout the world, primarily in North America. The company's facility in L'Anse, Michigan manufactures and ships acoustical wet-felt ceiling tiles.

CertainTeed is a subsidiary of Saint-Gobain Corporation, based in Valley Forge, Pennsylvania. Saint-Gobain manufactures a range of building products, high-performance materials and glass containers. The company is also a distributor of building materials. Saint-Gobain employs approximately 24,000 people at 180 manufacturing plants and 150 distribution outlets across North America.

CertainTeed currently has 109 employees in Michigan.

PROJECT DESCRIPTION

CertainTeed currently has two locations that produce acoustical wet-felt tiles; L'Anse and Meridian, Mississippi. Due to economic conditions, demand is only sufficient to keep one plant operational. The company anticipates closing the plant in Mississippi and expanding capacity at the remaining plant in L'Anse. The expansion at the L'Anse location is necessary to bring the facility to where it can meet or exceed current demand requirements presently being addressed at both locations.

CertainTeed will invest approximately \$7.6 million primarily in machinery and equipment as a result of this project. In addition, the company will retain 109 jobs over the next five years paying an average weekly wage of \$741. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

### **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 271 jobs in the state by the year 2021. It is also estimated that the project would maintain total state government revenues through the year 2021, net of MEGA costs, of \$16.9 million (current dollars) due to the retention of this facility.

### **BUSINESS CASE**

CertainTeed has been investigating which facility to idle. The company has indicated wage rates and taxes are lower at Mississippi location making it a disadvantage to continue operations in L'Anse.

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

The Village of L'Anse is supportive of this project and anticipates approval of local tax abatements. The estimated value is not known at this time.

The MEDC is recommending to the Michigan Strategic Fund (MSF) Board for approval of up to \$670,000 in Community Development Block Grant (CDBG) funds to address the projects critical infrastructure needs as well as \$330,000 in CDBG funds for the purchase of machinery and equipment.

In addition, the Michigan Department of Transportation anticipates approval of \$1 million in Transportation Economic Development Funds for roadwork that is directly related to the traffic generated by the CertainTeed facility.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a up to a 100 percent retention employment tax credit for 12 years for the 109 retained employees at the L'Anse facility, subject to the following:

- The company must make a minimum capital investment of \$2.5 million associated with the project to receive a 50 percent credit. The credit percentage will increase in proportion to the amount of capital investment realized per retained job.
- The total investment must exceed \$10.9 million to qualify the company for a 100 percent retention credit for all 109 retained jobs.