



MEMORANDUM

DATE: March 22, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Four Winns Boats, LLC

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
1 517 335 5884
1 517 335 2521

CUSTOMER ASSISTANCE
1 517 373 9808

www.michigan.org

COMPANY NAME AND ADDRESS:

Four Winns Boats, LLC
100 South Fifth Street, Suite 2500
Minneapolis, Minnesota 55402

HISTORY OF COMPANY:

Four Winns Boats, LLC will manufacture a wide variety of recreational fiberglass boats. Four Winns is 100 percent owned by JTC Acquisition LLC, a single member limited liability company of Jacobs Trading Company. The company was formed earlier this year when the assets of the former Outboard Marine Corporation (OMC) were acquired as a result of JTC being the successful bidder of the assets out of bankruptcy. OMC had ceased all its operations in December 2000 after declaring bankruptcy. The acquired manufacturing facilities and assets are located in Cadillac, Michigan and had been closed since last December.

PROJECT DESCRIPTION:

The company plans to reopen the acquired 368,000 square foot manufacturing operation in Cadillac and continue to manufacture recreational boats under the Four Winns name. The company will rehire 550 former employees in 2001 and continue to build staffing until the facility is fully operational in year 2003 with 900 total employees. The company will invest a total of nearly \$17.6 million for the project, including \$5.4 million for the existing building and \$3.3 million in existing equipment. In addition to the existing equipment, the company will purchase \$8.85 million in new equipment for the facility over the next three years.

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The company expects to pay an average weekly wage of approximately \$472 with a full benefit package. Operations are expected to start immediately as the company needs to provide stock to their retailers as soon as possible. The company is also considering moving production to an existing boat manufacturing plant in Sarasota, Florida.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,424 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$57.7 million (2001 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, it conducted a comprehensive analysis between Cadillac, Michigan and Sarasota, Florida, where the JTC has an existing manufacturing operation. Favorable factors in moving the facility to Florida include excess capacity at the available facility, an available workforce, elimination of duplicate administrative functions, including plant manager and corporate positions, and the ability to leverage technology of other local facilities. The company would also be able to take advantage of a lower wage workforce and have lower utility costs in Florida. The annual cost advantage of Florida over Michigan ranges from \$1.7 to \$2.3 million over the term of the proposed incentive.

However, the company has many favorable reasons to restart operations in Michigan. The company has a long history in Michigan and would be able to restart operations quickly without the need to move equipment and train new workers. The company also has an established dealer network in the Midwest with five of the top ten dealers located in Michigan and Wisconsin. The company would also

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be able to take advantage of a workforce experienced in building Four Winns boats and available for immediate hire.

Because OMC stopped all work in progress, there are numerous boats on the plant floor in various stages of completion. Whether the Cadillac plant is retained for the long term or not, all the work in progress must be completed and shipped out to dealers who are concerned that the 4 Winns line will not be available for sale during this spring which is their busiest season. The company can easily move molds and the minimal machinery needed to make boats to Florida in late summer or early fall when production demands have decreased.

Therefore the company began finishing boats during the week of March 6 for its dealers with the assurance Four Winns boats will be available this season. The company hired some employees immediately and MEDC staff requests 120-day look back in order to qualify all the new workers hired as eligible MEGA jobs.

But for the MEGA credit, the project would be relocated to Florida.

OTHER STATE AND LOCAL ASSISTANCE:

Economic Development Job Training funds will be offered to the company for up to 900 net new employees for a total of \$550,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$164,610.

The City of Cadillac will provide an abatement of 50 percent of the personal property tax for a period of twelve years on all new equipment purchased. In addition, Cadillac will also transfer the existing real and personal property tax abatements to Four Winns Boats. The value of these local abatements are estimated at \$748,695.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for 12 years for up to 900 net new jobs and a business activity credit of 100 percent for 12 years.