



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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DATE: July 15, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director
Portfolio Management & Packaging WJA

Ken Murdoch, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Graphic Packaging International, Inc.
Standard Credit

COMPANY NAME:

Graphic Packaging International, Inc.
814 Livingston Court
Marietta, GA 30067

HISTORY OF COMPANY:

Graphic Packaging Corporation, a wholly-owned subsidiary of Global Packaging International, Inc., is a leading provider of paperboard packaging solutions for a wide variety of products to multinational and other consumer products companies such as Kraft Foods, Anheuser Busch, General Mills and Molson Coors Brewing Company.

In March of 2008, Graphic Packaging Corporation merged with Altiivity Packaging to form a combined company with sales of \$4.4 billion. The company employs over 15,600 people worldwide and has a strong international presence in Mexico, Europe, China, Japan, Australia and Brazil.

The company currently employs 701 people in Michigan.

PROJECT DESCRIPTION:

The company is looking to expand an existing folding carton plant in the City of Kalamazoo. The expansion will allow Graphic Packaging Corporation to provide additional paperboard packaging solutions to multinational food, beverage and other consumer product companies.

The proposed expansion would require a capital investment of \$27 million and would result in the creation of 160 new jobs paying an average weekly wage of \$746. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS 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 create a total of 377 jobs in the state by the year 2020. We also estimate that the project would create total state government revenues through the year 2020, net of MEGA cost and adjusted for inflation, of \$17.6 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company is considering Ohio for this expansion. The company has indicated that the average wage in Kalamazoo is higher than in other operations of Graphic Packaging Corporation. The company has also indicated that the Kalamazoo site requires a building addition to accommodate the planned expansion and requires the company to incur the expense of parking lot demolition and water and sewer line relocation. These expenses would not be required or would be reduced at the alternate location.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Kalamazoo is supportive of this expansion and has indicated that they will recommend a P.A. 198 property tax abatement on real and personal property for a term of 12 years. Assuming future abatements are applied for and supported, the estimated value to the company is \$1.5 million.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years, for up to 160 net new employees.