



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: March 18, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Steve Haakenson, Project Manager
Portfolio Management & Packaging *SDA*
SUBJECT: Briefing Memo – Paragon Metals, Inc.
Rural MEGA Credit

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COMPANY NAME AND ADDRESS:

Paragon Metals, Inc.
13925 Ballantyne Corporate Place, Suite 450
Charlotte, NC 28277

HISTORY OF COMPANY:

Paragon Metals, Inc. is a manufacturer and supply chain manager of engineered precision components primarily to the U.S. and European automotive, truck, and general original equipment manufacturers.

The products provided by Paragon Metals are machined metal castings and forgings specifically designed and manufactured to the customer's specifications. Two examples of these precision components are the Tower Support for an automotive rear-wheel transmission assembly and a Carrier Support for a large truck transmission assembly.

Paragon Metals began operations in 1991 at their current headquarters in Charlotte, North Carolina. They also have an office in Shanghai, China. Paragon Metals has 20 employees in Charlotte.

PROJECT DESCRIPTION:

Paragon Metals has been planning to expand operations in 2008 to include their own manufacturing and machining plant in the United States. Some of the new location will be taking work that is currently manufactured in China. The company unsuccessfully attempted to create a joint venture operation with Southern Michigan Tool in Hillsdale, but have found a suitable location in Quincy, Michigan in Branch County.

Paragon Metals expects to hire 130 employees over the next five years at an estimated average weekly of \$684. The proposed project in Quincy will lease an existing 103,000 sq. ft. facility. Other investment will include \$7 million in machinery

and equipment such as CNC turning machines, CNC cylindrical grinders, Fanuc robedrills, and racing arms.

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 235 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$3.1 million (2008 dollars) due to the presence of this facility.

BUT FOR:

Paragon Metals is also considering locating in Lancaster, South Carolina. While the initial capital investment appears to be comparable, costs relating to business operations in Lancaster, SC over a five year period appear to be moderately lower. The gap is estimated at slightly over \$2 million. The driving factor behind selecting a location in Michigan has to do with the proximity to our major customers.

LOCAL ASSISTANCE:

The Township of Quincy supports this project and anticipates approval of a personal property tax abatement for twelve years under PA198 of 1974. This will be on \$2.7 million of estimated machinery and equipment investment. The Township of Quincy will also provide additional abatements at the time for new investment at the proposed facility. Approval of the tax abatement is expected to take place on March 4, 2008. This abatement has an estimated value of \$470,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 130 net new employees.