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LANSING, MI 48913

MEMORANDUM

CUSTOMER ASSISTANCE
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DATE: December 17, 2002
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Royal Plastics, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Royal Plastics, Inc.
3765 Quincy Street
Hudsonville, Michigan 49426

HISTORY OF COMPANY:

Royal Plastics manufactures plastic injection molded products for a variety of industries including automotive and furniture. The company is a privately held Michigan corporation organized in 1987. The company serves customers throughout the United States and Europe from three manufacturing facilities located in Jamestown Township and Hudsonville. The company, headquartered in Jamestown Township, currently has 635 employees in Michigan.

PROJECT DESCRIPTION:

Royal Plastics has significant growth opportunities and new customers requiring an expansion of their current operations. The expansion is being considered at the current facility in Jamestown Township or in Tennessee. Locating the project in Jamestown Township would allow the company to fill existing building capacity, followed by the addition of two new 200,000 square foot facilities built in two phases. The expansion is expected to generate 828 new jobs over five years, including 189 in the first year. The new positions will pay an average weekly wage of \$454.

Total capital investment for the project would be approximately \$35 million, including \$10 million for the building construction costs, and \$25 million for new machinery and equipment.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,256 jobs in the state by the year 2022. Total state government revenues through the year 2022, net of MEGA costs and adjusted for inflation, would be increased by \$57.2 million (2002 dollars) due to the presence of this facility.


BUT FOR:

As part of the company decision-making process, Royal Plastics compared the costs of the project in Jamestown Township and Tennessee, a central location to the company's many customers in the South. The major cost gaps being faced by the company include labor, utilities and tax incentives in Tennessee. The company estimates that labor costs will be over \$2 million per year higher once the facilities are fully operational. Royal Plastics is also anticipating a difference in the cost for electrical service, estimated to be about \$150,000 per year higher in Michigan. Finally, Tennessee has offered the company jobs creations tax credits and property tax abatement for ten years. In total, Tennessee has offered an incentive package nearing \$4.3 million.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$835,400. In addition, the company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth up to \$158,000.

Jamestown Township has approved a 50 percent abatement of the company's new real and personal property taxes for twelve years. The estimated value of the local abatement is \$2,761,200. The abatement was approved on December 12, 2002.



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RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 20 years, for up to 828 net new employees, and a business activity credit of 100 percent for four years.