

300 N. WASHINGTON SQ.
LANSING, MI 48913

517.373.9808

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MEMORANDUM

Date: September 14, 2010
To: Michigan Economic Growth Authority
From: Joe Quick, Project Specialist
Packaging Team
Subject: Briefing Memo – Saint-Gobain Performance Plastics Corporation
Rural MEGA Credit

COMPANY NAME

Saint-Gobain Performance Plastics Corporation
3910 Terry-Diane Street
Beaverton, Michigan 48612

HISTORY OF COMPANY

Compagnie de Saint-Gobain, was founded in 1665 and is headquartered in Paris, France. Saint-Gobain is the world leader in the habitat and construction markets, design, manufactures and distributes materials, providing solutions to meet the growing demand for energy efficiency and environmental protection. The North American headquarters for Compagnie de Saint-Gobain, Saint-Gobain Corporation, is located in Valley Forge, Pennsylvania. Saint-Gobain Performance Plastics is wholly owned subsidiary of Saint-Gobain Corporation. Saint-Gobain encompasses four sectors of activity: Innovative Materials; Flat Glass & High Performance Materials; Construction Products; and Building Distribution and Packaging.

The Beaverton site is part of the Healthcare Strategic Business Unit (SBU) within the Performance Plastics Corporation- a part of the Innovative Materials Sector. The Beaverton site, which manufactures extrusion and molded components for the pharmaceutical industries, was founded in 1977 and acquired by Saint-Gobain in 1995. Specifically, as part of the Healthcare SBU, the Beaverton site provides products that fulfill fluid delivery system needs used in the manufacture of medical devices and pharmaceutical drug manufacturing.

Compagnie de Saint-Gobain has a total of 570 employees in Michigan, of which 97 are employed by Saint-Gobain Performance Plastics Corporation in Michigan, all at the Beaverton site.

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PROJECT DESCRIPTION

Saint-Gobain Performance Plastics plans to construct a new building and invest in machinery and equipment to aid in their growing business. Its current site is at capacity, and congestion is becoming an issue. To remain competitive in the pharmaceutical and medical markets, the Beaverton site must produce higher quality products with faster throughput, less product handling and faster reaction to product opportunities than they are currently capable of. The planned expansion would also provide manufacturing flexibility to handle additional materials other than silicone, and allow the company to apply best-in-standards for work cell and station design.

The Beaverton site is in Gladwin County, which has a population of less than 90,000, qualifying the project for a Rural MEGA.

The company plans to invest approximately \$9,186,000 and create 61 jobs over the next five years, with 9 jobs projected in year one, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$490. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 143 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$2,496,703 (current dollars) due to the presence of this facility.

BUSINESS CASE

Saint-Gobain Performance Plastics' Beaverton site is in competition for expansion with a Saint-Gobain site in Massachusetts. In addition to a cost disadvantage in tax liability between the Beaverton site and its competing site in Massachusetts, many of Saint-Gobain's key customers are in the Northeastern United States. A majority of the medical and pharmaceutical industry knowledge centers are based in this region of the country as well. Access for customers is more convenient in the Northeast locations' large metropolitan areas, in contrast to Beaverton's remote location. Shipping to and from the Beaverton, Michigan site adds two to three days lead time for products and materials, and results in higher shipping costs for its customers. In addition, Beaverton's location puts it at a disadvantage for company visits from executives. It also limits company exposure, company-sponsored trainings, conferences and meetings, particularly due to the lack of a major airport in the vicinity.

OTHER STATE AND LOCAL ASSISTANCE

On June 21, 2010, the City of Beaverton approved a PA 198 on real and personal property for a period of 12 years, with an estimated value of \$331,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for 7 years for up to 61 net new employees in excess of the company's established base of 157.