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MEMORANDUM

DATE: December 12, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Tower Automotive, Inc.

COMPANY NAME AND ADDRESS:

Tower Automotive, Inc.
27175 Haggerty Road
Novi, Michigan 48377

HISTORY OF COMPANY:

Tower Automotive, Inc. is a publicly held company incorporated in 1993 to design and manufacture structural components and assemblies used by major automotive equipment manufacturers. Since its incorporation, the company has experienced exponential growth as a result of an aggressive and strategic acquisition program. Tower Automotive maintains 25 manufacturing facilities in North America, as well as other facilities in Europe, South America and the Pacific Rim. Tower Automotive currently has over 4,100 employees in Michigan.

PROJECT DESCRIPTION:

Tower Automotive is planning to expand its existing technical center and prototype design shop to better streamline communication and increase productivity among Tower divisions. As part of this initiative, the company plans to invest approximately \$3.6 million in machinery and equipment, \$2 million in leasehold improvements and \$3.7 million in capitalized lease costs, for a total investment of \$9.3 million.

Tower Automotive would hire an additional 125 people within the first year of operation of this new facility at an average weekly wage of \$1,343 and with a benefit package equal to approximately 32 percent of wages. Tower anticipates finalizing lease negotiations and leasehold improvements by June 2001, with start-up of facility planned for July 2001.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 236 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjusted for inflation, would be increased by \$10,086,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis of Oakland County, Michigan and Milwaukee, Wisconsin. Based on figures obtained from the company, the cost disadvantage for Tower Automotive to locate this expanded research and development facility in Michigan rather than Wisconsin totals \$12 million over the ten-year period of the incentive. This cost differential is primarily attributable to 11% lower wages in Milwaukee and an anticipated \$3 million cost of leasing space in Michigan that already exists and is available in Milwaukee.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Tower an Economic Development Job Training grant of \$750 for each of the 125 new workers, or a total of \$93,750.

The company is looking at sites in Farmington Hills and Novi for this facility. It is negotiating local incentives and will have a commitment in place within 60 days. The MEDC is thereby making this MEGA offer contingent upon the company successfully negotiating an incentive from the community. This incentive will total no less than \$65,000.

BUT FOR:

Tower has an existing facility in Milwaukee that could easily accommodate this expanded research and development effort. The company, however, would prefer to locate the facility closer to its customers and most of its other facilities. In order to make the business case for putting this facility in Michigan, a MEGA tax credit to offset the additional costs will be necessary in order for the company to gain approval for this plan from its board of directors.

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RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 125 net new jobs for six years and 75 percent for four years and a business activity credit of 100 percent for six years and 75 percent for four years.