

**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

**DATE:** October 17, 2006  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – AG Simpson Automotive Systems  
Standard Credit

**COMPANY NAME AND ADDRESS:**

AG Simpson Automotive Systems  
6640 Sterling Drive South  
Sterling Heights, MI 48312

**HISTORY OF COMPANY:**

AG Simpson Automotive Systems (AGS), established in 1947 in Toronto, Ontario, currently operates out of six North American locations with over 1000 employees. A full service automotive supplier, with capability in stamping, plating, painting, plastics, sequencing and assembly, AGS had approximately \$320 million in sales revenue in 2005, and approximately 30% of the North American chrome plated bumper market. AGS operates as both a Tier 1 and Tier 2 supplier, with a customer base which includes General Motors, DaimlerChrysler, Delphi, TI Automotive, Magna, and Martin Rea.

The company currently has 52 full time Michigan employees at its facility in Troy.

**PROJECT DESCRIPTION:**

In 2001, the company acquired a bankrupted automotive company. Through this acquisition, they purchased a mothballed facility in Sterling Heights that has remained closed. AGS is proposing to reopen this facility to expand its automotive parts assembly and sequencing as well as plating and plastic parts manufacturing capabilities.

If the company reopens this facility, an investment of \$2.3 million will be required to rehab the building. Additionally, \$7.5 million in new machinery and equipment will be purchased to equip the facility. The company anticipates the creation of up to 130 new jobs, paying an average weekly wage of \$420.



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**BENEFIT TO STATE:**

According to the economic analysis done by MEDC staff utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 242 jobs in the state by the year 2012. We also estimate that the project would increase total state government revenues through the year 2012, net of MEGA cost and adjusted for inflation, of \$3.78 million (2006 dollars) due to the location of this facility.

**BUT FOR:**

The company has considered several other locations for these manufacturing activities. The province of Ontario has offered a very generous incentive package to attract the project to Canada. The company has several facilities in Ontario where expansions are possible. Ontario offers multiple tax refunds and exemptions, which could save the company more than \$1 million each year.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan has offered the 100% SBT Credit for Personal Property Related to Transferred Jobs. Based on the company's estimate of \$2.3 million in equipment value related to the transferred jobs, an SBT credit of up to \$69,000 could be available in 2007.

The City of Sterling Heights has approved a 9-year PA 198 property tax abatement for all new real and personal property related to this project. The estimated value of this abatement is \$400,000.

The State of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$179,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 6 years, for up to 130 net new jobs.