



## MEMORANDUM

**DATE:** December 21, 1999

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President  
Michigan Business Development *James Donaldson*

**SUBJECT:** Briefing Memo - Behr America, Inc.

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### COMPANY NAME:

Behr America, Inc.  
4500 Leeds Avenue, Suite 201  
Charleston, South Carolina 29405-8521

### HISTORY OF COMPANY:

Behr America, Inc., is the North American Headquarters of Behr GmbH & Co., a leading international developer, manufacturer and integrator of air conditioning, engine cooling components, fan and clutch systems and modules for the automotive industry. Behr GmbH is headquartered in Stuttgart, Germany. Behr America is owned jointly by Behr BmbH (65 percent) and Cummins Engine Company (35 percent) and is currently headquartered in Charleston, South Carolina. Behr America has manufacturing operations in South Carolina, Texas, South Dakota and one under construction in Webberville, Michigan.

### PROJECT DESCRIPTION:

The company is searching for a location to construct a new headquarters facility which would also incorporate research, development, engineering, testing, sales and marketing functions. The company has narrowed its search to remaining in Charleston, South Carolina, where it is currently located, or moving to Troy, Michigan.

Plans are to construct a new 60,000 square foot facility employing 105 people at an average weekly wage of \$1743 and a benefit package totaling 35 percent of wages. This project would involve the transfer of 13 existing Behr America employees from Walled Lake, Michigan to the new location. Anticipated investment includes \$6.5 million in land and building and \$27.3 million in equipment, for a total of \$33.8 million.

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Construction is expected to begin in March 2000 and to be completed by June of 2001. Operations will begin by July 1, 2001, and the facility will be fully operational by January 1, 2002.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 202 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$18,367,000 (1999 dollars) due to the presence of the Behr America facility.

#### **COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Charleston, South Carolina and Troy, Michigan. Based on figures obtained from the company, the cost disadvantage for Behr America to establish its headquarters and technical facility in Michigan rather than South Carolina remains fairly constant at \$2.5 million annually over the term of the incentive. This cost differential is over and above the additional occupancy costs that will be incurred by the company in Michigan due to the prime real estate chosen by the company. The cost differential is almost entirely attributable to the company being able to enjoy lower wage rates in South Carolina. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and South Carolina.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide Behr America with a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$372,000 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$1,000 per job for up to 105 net new employees for a total of \$105,000.

The city of Troy will provide a 50 percent property tax abatement of eligible personal property for a period of 12 years worth approximately \$1,246,208. The community will also be providing infrastructure improvements to the site at a cost of approximately \$425,000.

**BUT FOR:**

Without the assistance offered by the MEGA program, Behr America would not locate a new facility in Michigan for the following reasons:

1. The cost differential is too large for the company to entirely absorb.
2. In addition to the annual cost differential, there would be a significant difference in the capital investment required because the company already owns the land in South Carolina and would only have to add onto an existing facility rather than build a new one.

However, the company feels that if Michigan can help the company to reduce these cost differentials, it would prefer Michigan over the site in South Carolina. The company's headquarters was originally sited in South Carolina due to the proximity to its current customers, which are primarily the transplant automotive facilities located in the Southern states. Behr America would like to become a major supplier to the Big 3, and a location in Michigan is best-suited for these long-range goals of the company.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 18 years for up to 105 net new jobs.