



MEMORANDUM

DATE: May 12, 1999
TO: Michigan Economic Growth Authority
FROM: James L. Donaldson, Acting Vice President
Business Development
SUBJECT: Briefing Memo for Behr America, Inc.

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COMPANY NAME AND ADDRESS:

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

HISTORY OF COMPANY:

The Behr Group, with its world headquarters in Stuttgart, Germany, is a leading international developer, manufacturer, and integrator of air conditioning, engine cooling components, fan and clutch, and modules for the automotive industry. Behr was established in 1905, and employs 11,400 people worldwide. Locations include Germany, Brazil, the Czech Republic, France, India, Italy, Japan, South Korea, Spain, Sweden, and the United States. Behr's emphasis is on technological innovation and advancement to maintain its industry edge. The company accomplishes this through strategic partnerships and joint ventures with other technology and supplier companies.

Behr currently has a small office in Walled Lake, Michigan that employs 30 people. Behr has manufacturing facilities in Charleston, South Carolina, Fort Worth, Texas, and Canton, South Dakota. Because of the product mix and location of customers, Behr must locate a facility in the Midwest.

PROJECT DESCRIPTION:

Behr is considering locations in either Webberville, Michigan or Findlay, Ohio. This new facility will require an investment of over \$2 million for a building and over \$9 million for machinery and equipment. The new manufacturing facility will employ up to 124 at an average wage of

\$712/week with a full benefit package. In addition to manufacturing, this facility will also house engineering, research and development, sales, marketing, and customer support. Behr will produce thermal control clutches and fans for its automotive customers.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 468 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 \$23.6 million (1999 dollars) due to the presence of the Behr America project.

COST ANALYSIS:

As part of the company's decision making process, it has undertaken a comprehensive cost analysis between Michigan and Ohio. Based on figures obtained from the company, the cost disadvantage for Behr to establish its new manufacturing facility in Webberville rather than Ohio ranges from \$200,000 to \$300,000 annually over the term of the incentive. These cost differentials are due to lower labor and tax costs in Ohio. In the initial years of the project, tax incentives also increase the cost differential.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide Behr 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 approximately \$260,000 over the term of the incentive. In addition, the state will offer job training assistance of \$1,000 per job for up to 124 new jobs, for a total of \$124,000. Additionally, Community Development Block Grant funding is offered for up to \$1,240,000 for public infrastructure at the Webberville site.

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Webberville will provide a 50 percent property tax abatement for a period of 12 years worth nearly \$1.3 million over the term of the incentive.

BUT FOR:

To serve several customers in the Midwest, Behr could locate a facility in either Ohio or Michigan. Because they do not have a manufacturing presence in the area at this time, they are free to choose either location. Because of the cost advantage, particularly in the early years of the project, Behr could not locate in Michigan without the MEGA incentive.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 124 net new jobs and a business activity credit of 100 percent, each for 20 years.