



MEMORANDUM

DATE: January 25, 2000

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Behr Industries Corporation

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COMPANY NAME AND ADDRESS:

Behr Industries Corporation
1020 7 Mile Road
Comstock Park, Michigan 49321

HISTORY OF COMPANY:

Behr Industries Corporation is a manufacturer of high quality wood interior trim components to the automotive OEMs and their major Tier 1 suppliers. Behr Industries Corporation is a subsidiary of Erwin Behr Automotive GmgH, which in turn is part of the Erwin Behr Group GmbH & Co. KG, a German company founded in 1912. Behr Industries Corporation currently has 423 employees in Michigan.

PROJECT DESCRIPTION:

Due to an increase in orders from southern U.S. OEM facilities, the company needs to expand its manufacturing capability. Behr has a choice of increasing manufacturing capacity at its current facility in Alpine Township or establishing a second manufacturing facility in southeast Alabama at a location close to some of its major customers. Behr has determined that it could handle this new business at its present facility with a capital investment of \$3 million in equipment and the hiring of 341 new workers. The average weekly wage for these workers would be \$463, plus a benefit package totaling approximately 25 percent of wages.

If the expansion occurs in Michigan, the company would need to reorganize the existing shop floor layout to accommodate the introduction of new equipment. The equipment would arrive in April or May of 2000 and would be in full production by the end of June 2000.

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BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of XXX jobs in the state by the year XXXX. Total state government revenues through the year XXXX, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$XXXXXXXX (2000 dollars) due to the presence of the Behr Industries Corporation facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Michigan and Chilton County, Alabama. Based on figures obtained from the company, the cost disadvantage for Behr Industries to expand this operation in Michigan rather than Alabama ranges between \$1,400,000 and \$1,200,000 annually. This cost differential is primarily attributable to lower wages, lower taxes, and generous incentives in Alabama.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide Behr Industries 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 \$56,628 over the term of the incentive. In addition, the state will offer job training assistance of \$800 per job for up to 341 net new jobs, for a total of up to \$272,800.

Alpine Township will provide a 50 percent property tax abatement for a period of 12 years. The estimated value of this incentive is \$168,826.

BUT FOR:

A significant cost disadvantage exists for putting this project in Michigan rather than Alabama. The Alabama option is attractive to the company because Behr's two largest customers, Mercedes and BMW, are located in Alabama and South Carolina. A facility in eastern Alabama would be approximately equidistant from these customers. The company does realize, however, that there are some intangible costs involved in operating two separate manufacturing operations

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rather than a single one, including management time and travel. A Michigan location would also be advantageous in order to gain additional orders from DaimlerChrysler, General Motors and Ford. However, the company cannot justify the additional costs of putting this expansion in Michigan without the state assistance offered by MEGA.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 341 net new jobs for a period of seven years and 75 percent for a period of one year, and a business activity credit of 100 percent for a period of seven years.