



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** September 16, 2003

**TO:** Michigan Economic Growth Authority

**FROM:** Kathy Blake, Senior Vice President  
Business Development *KB*

**SUBJECT:** Briefing Memo – BorgWarner, Inc.  
Standard Credit

**COMPANY NAME AND ADDRESS:**

BorgWarner, Inc.  
200 South Michigan Avenue  
Chicago, Illinois 60604

**HISTORY OF COMPANY:**

BorgWarner is a leading global supplier of highly engineered components and systems for vehicle powertrain application. These products are manufactured and sold worldwide, primarily to original equipment manufacturers of passenger cars, sport-utility vehicles, trucks, commercial transportation products and industrial equipment. Currently, BorgWarner has nearly 1,000 employees working at five locations in Michigan.

**PROJECT DESCRIPTION:**

BorgWarner is considering relocating its corporate headquarters to Auburn Hills. The project would lead to 80 new jobs in the first year of the project, with 10 additional jobs added over four years for a total of 90 new positions in Michigan. The initial relocation would lead to 65 positions being transferred from Chicago and an additional 15 positions added due to growth. The positions are highly compensated, with an average weekly wage of \$1,926.

The company would lease 40,000 square feet in a newly constructed facility in Auburn Hills. Total capital investment for the project would be approximately \$8.9 million, including \$7.7 million for capitalized lease costs and infrastructure improvements and \$1.2 million for new computers and office furniture. Construction on the facility would begin in the spring of 2004, with construction completed by early 2005.

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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 146 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$7.3 million (2003 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company decision-making process, BorgWarner compared the costs of remaining in Chicago with moving to Auburn Hills. After a comprehensive analysis, the cost gaps identified by the company were mainly due to the relocation of executives and staff and lease termination costs in Chicago. BorgWarner estimates relocation costs to total \$2.9 million, with an additional expense of \$850,000 to recruit and hire new employees. In addition, the company has a lease termination fee of \$1.8 million. The state of Illinois has also offered tax credits in the amount of \$1.1 million to maintain and grow the operations in Chicago.

**OTHER STATE AND LOCAL ASSISTANCE:**

The city of Auburn Hills approved a property tax abatement on September 8, 2003, granting a 50 percent abatement of the company's new real and personal property for eight years. The value of the abatement is estimated at \$686,200.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 90 net new employees.