



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: June 17, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging *WH*
Joshua Hundt, Project Specialist
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Brembo North America Homer, Inc.
Standard and Retention MEGA credits.

COMPANY NAME:

Brembo North America Homer, Inc.
15300 Centennial Drive
Northville, Michigan 48168

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HISTORY OF COMPANY:

Brembo, S.p.A. is a world leader in the engineering, development, and production of high-performance braking systems and components for original equipment, aftermarket, motorcycle, racing, and high-performance vehicles. Brembo has a worldwide portfolio of customers, and also supplies the brake systems for most of the world's formula I, NASCAR, and MotoGP teams.

Prior to 2007, Brembo's North American operations consisted of administrative offices and warehouse facilities in Costa Mesa, California, Farmington Hills, Michigan, and Mooresville, North Carolina.

In November 2007, Brembo purchased the brake component manufacturing division of Hayes Lemmerz International, Inc. As a part of this transaction, Brembo acquired a manufacturing facility in Homer, Michigan, and a sales, engineering, and manufacturing group located in Northville, Michigan.

PROJECT DESCRIPTION:

The proposed project will combine Brembo's corporate and technical groups currently located in Costa Mesa, California, Farmington Hills, and Northville into a single North American Headquarters by constructing a 45,000 square foot new NAFTA headquarters and R&D building in Novi to be completed in 2008.

As a part of the proposed project Brembo will also expand the capacity of the company's existing Homer (Albion Township), Michigan facility.

The new NAFTA Headquarters and R&D building in Novi will result in the creation of 42 new jobs. The expansion in Homer will result in the retention of 107 jobs and creation of 176 new jobs over five years.

The average weekly wage of the 218 new jobs is \$874. The average weekly wage of the 107 retained jobs is \$991. The company will also offer health care benefits and pay a portion of the benefit costs. The overall capital investment for this project is \$47,025,000.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 1,049 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation, would be increased by \$29.1 million (2008 dollars) due to the presence of this expansion.

BUSINESS CASE:

Competing sites for this project are Mooresville, North Carolina, and Monterrey, Mexico where the company already has established operations. Despite the fact that the Detroit area has a wealth of engineering talent and technical resources the company does face a competitive disadvantage in the State of Michigan.

Brembo will have difficulty competing for customer awards due to the higher wages and taxes in the State of Michigan.

Brembo faces a \$30 million cost gap between Michigan and the competing site in Monterrey, Mexico. Based on wages, site costs, and building costs.

STATE AND LOCAL ASSISTANCE:

The MEDC has approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant of \$2,000 per employee, for up to \$500,000.

Albion Township is supporting this project for Brembo's Homer operations and anticipates approval of a real and personal property tax abatement for twelve years under PA198 of 1974. The abatement has an estimated value of \$1,770,000.

The City of Novi is offering a reduction of \$18,000 in construction fees and plans to streamline the construction approval process to expedite Brembo's headquarter construction.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years for up to 218 new jobs, with a 90 day look back on the newly created jobs. The Michigan Economic Development Corporation also recommends a 100 percent retention tax credit for 5 years for the 107 jobs retained at the Homer facility.