



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: March 18, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Toni Brownfield, Project Manager
Portfolio Management & Packaging
SUBJECT: Briefing Memo – Brose Jefferson
Standard Credit

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COMPANY NAME AND ADDRESS:

Brose Jefferson
c/o Brose North America
3933 Automation Avenue
Auburn Hills, Michigan 48091

HISTORY OF COMPANY:

Brose Jefferson and Brose North America are affiliates of parent, Brose International, founded in Germany in 1919. Brose Jefferson is a new manufacturing entity established in 2008. Brose is a leading supplier of window regulators, door systems and seat adjusters to automotive OEMs. Brose North America was established in Auburn Hills in 1993 and is Brose International's North American headquarters. Currently employing 242 people, the Brose North America oversees five manufacturing facilities in the region: Chicago; Tuscaloosa; London, CA; Queretaro, MX; and Puebla, MX. Overall 2007 production sales in the region were \$500 million.

PROJECT DESCRIPTION:

To support the new business awards to manufacture door systems and the potential acquisition of Continental, Brose is considering locating a new manufacturing facility in Warren and expanding its headquarters operation in Auburn Hills. The initial capital investment to lease, renovate, and equip the manufacturing facility is expected to be approximately \$6.3 million, with total investment over five years reaching approximately \$23 million.

Because Brose North America currently has an active MEGA credit, the new manufacturing and headquarters jobs will be monitored separately from the existing MEGA credit. In order to turn on this credit, Brose Jefferson and Brose North America will need to maintain a statewide base of 242. Average weekly wages for the manufacturing facility in Warren will be \$883.

Brose North America, which will create headquarters jobs, will maintain a statewide base of 338. This base is comprised of 78 base jobs plus 260 maximum qualified new jobs in their original MEGA credit. Average weekly wages for the headquarters operation in Auburn Hills will be \$1,365. Over the next five years, it is anticipated that these two facilities will create up to 517 new jobs.

BENEFITS 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 create a total of 1,834 jobs in the state by the year 2015. It is also estimated that the project would increase total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, by \$33.9 million (2008 dollars) due to the expansion of this operation.

BUT FOR:

The alternative site being considered for the manufacturing facility, as well as supporting growth for headquarters functions, is Chicago, Illinois. Brose has an existing facility in Chicago with readily-available additional lease space it could acquire to accommodate new employees. In lieu of expanding the current HQ facility, strong consideration is being given to re-locating a business division to a plant site, freeing space. This follows Brose's relocation pattern in Germany. When comparing the Michigan and Illinois locations, the company estimates that wage rates in Illinois are significantly lower.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Warren approved a 50% abatement of the company's new personal property taxes under PA 198 for ten years at its March 11 City Council meeting. The value of this abatement is approximately \$662,000. The City of Auburn Hills approved a 50% abatement of the company's new personal property taxes under PA 198 for eight years at its March 12 City Council meeting. The estimated value of this abatement is \$457,000.

In addition, the Michigan Economic Development Corporation has offered an Economic Development Job Training grant in the amount of \$65,000 to assist the company with training needs of up to 130 employees at \$500 per employee.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for seven years, for up to 517 net new employees.