



MEMORANDUM

DATE: October 10, 2002
TO: Michigan Economic Growth Authority
FROM: Harry Whelan, Vice President
Global Business Development
SUBJECT: Briefing Memo - Brose North America - Standard Credit

COMPANY NAME AND ADDRESS:

Brose North America
1107 Centre Road
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

Brose North America is an affiliate of its parent, Brose International, founded in Germany in 1919. 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. The facility currently employs 78 and serves as the U.S. engineering and design center.

PROJECT DESCRIPTION:

Due to winning several new contracts for upcoming automotive platforms to produce its systems, Brose North American needs to expand its research and development capabilities for these components. The expansion will occur in either St. Thomas, Ontario, Canada (close to a customer's manufacturing site) or in Auburn Hills, Michigan close to the company's existing facility.

If the expansion occurs in Auburn Hills, it requires an investment of \$4.8 million in land and site development costs, \$10 million in building costs and \$11.4 million in machinery and equipment, for a total capital investment of \$26.2 million. Average weekly wages at the facility will be \$1058, with a benefit package of roughly 25% of wages.

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The company would construct its facility in two phases. Phase I would begin construction in Spring 2003 and be completed in Fall, 2004. Operations at the facility are expected to begin in August 2004. In 2007 the company anticipates doubling the size of this facility. Total employment at this new technology center will reach up to 260 new employees by 2010.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 562 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 \$20 million (2002 dollars) due to the presence of this facility.

BUT FOR:

The parent company, Brose International, has the option of locating this expansion just about anywhere, since it is a research and development center and not a production center. One of the company's top OEM customers has requested that the company locate this technology center close to one of its manufacturing facilities in Ontario, a very low-cost alternative for the company. Ontario has aggressively offered incentives for the project. Additionally, the company would realize substantial savings in both wages and taxes with an Ontario location. It is estimated that an annual cost disparity of roughly \$1,500,000 exists between the two locations under consideration.

The Auburn Hills facility, however, has been in operation since 1993 and has an excellent workforce that the company knows it will definitely lose if it moves to Ontario. Without a MEGA tax credit, however, the company will not be able to justify the cost disparity between a Michigan and Ontario operation.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$128,822. In addition, the Michigan Economic Development Corporation will provide an



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Economic Development Job Training grant of \$500 for each of 260 new employees, for a total of \$130,000.

The City of Auburn Hills, On October 8, 2002 approved a 50 percent abatement of the company's new real and personal property for 8 years. The estimated value of this local abatement is \$1,171,116.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for twelve years and a business activity credit of 100 percent for eight years for up to 260 net new jobs.