



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: December 17, 2002

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Faurecia Automotive Seating Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Faurecia Automotive Seating Inc.
2380 Meijer Drive
Troy, Michigan 48084

HISTORY OF COMPANY:

Faurecia is a leading Tier 1 automotive supplier of interior vehicle components and exhaust systems. Faurecia was created by the joining of two French automotive suppliers, Bertrand Faure Automobile & Ecia. Faurecia employs approximately 50,000 people worldwide in 150 manufacturing locations in 27 countries. Sales for 2002 are expected to reach \$10 billion.

The company has traditionally concentrated its business in Europe, however during the last three years the business in North America has grown from being a Tier 2 supplier of frame mechanisms into a Tier 1 supplier of interior vehicle components and exhaust systems. Faurecia currently employs 200 at its North American technical center and manufacturing facility in Troy.

PROJECT DESCRIPTION:

Faurecia Automotive Seating has been awarded a contract to supply assembled seat sets to General Motors Lake Orion facility. Because of this increase in business, Faurecia must establish a facility to assemble components manufactured elsewhere. The company is considering a brownfield site in Auburn Hills, or a site adjacent to their plant in Forest, Ontario.

If Faurecia selects Michigan for the project, a 97,500 square foot facility will be constructed for the company's use on a site in the Auburn Business Park.

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The project is expected to result in the creation of approximately 205 jobs over the first five years with an average weekly wage of \$772.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate that this facility will generate a total of 389 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjusted for inflation, would be increased by \$18.9 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Faurecia compared the costs of the project in Auburn Hills and Forest, Ontario. In Michigan, the company faces higher labor and facilities costs. This differential is estimated to be approximately \$4.4 million per year once the project is fully staffed.

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 \$124,638.

The developer of the site has received a Brownfield credit for the site, and has tentatively agreed to transfer \$800,000 of their \$1 million award to Faurecia if they agree to a long-term lease for the property.

The Auburn Hills City Council will be voting on a 50 percent abatement of the company's new real and personal property taxes for eight years at their January 6, 2003 meeting. The Auburn Hills tax abatement has an estimated value of \$867,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years and a 100 percent business activity tax credit for 8 years, for up to 205 net new employees.