

## MEMORANDUM

**DATE:** September 23, 2008

**TO:** Michigan Economic Growth Authority

**FROM:** Val Hoag, Director  
Portfolio Management & Packaging

Greg West, Project Specialist  
Business Development and Attraction

**SUBJECT:** Briefing Memo – Faurecia USA Holdings, Inc.  
Standard MEGA Credit

### COMPANY NAME:

Faurecia USA Holdings, Inc.  
2050 Auburn Road  
Auburn Hills, Michigan 48326

### HISTORY OF COMPANY:

The global Faurecia Group is the world's eighth largest Tier I supplier of automotive components to the global Original Equipment Manufacturers (OEM), with its worldwide headquarters in Nanterre, France. The Faurecia Group supplies OEM's with automotive seating, exhaust systems, front end modules and interior systems. The Faurecia Group's US legal structure includes the top level company Faurecia USA Holdings, Inc., which owns each of the three separate operating entities, Faurecia Interior Systems, Inc., Faurecia Automotive Seating, Inc. and Faurecia Exhaust Systems, Inc.

The majority of Faurecia's growth within Michigan has occurred in the past three years. At the end of 2003, Faurecia had only two small design shops in Troy and Auburn Hills and opened its first Michigan manufacturing plant in 2004, a Seating Division plant which is located in Auburn Hills. In 2006, Faurecia established five new Michigan locations, a core research facility in Holland, two manufacturing plants in Sterling Heights, and manufacturing plants in Fraser and Shelby Township. In 2007, Faurecia opened its first plant in Lansing. Faurecia USA Holdings, Inc. currently has 1,868 employees in Michigan.

### PROJECT DESCRIPTION:

The proposed project addresses current needs at two Faurecia facilities in Michigan and also the company's need to restructure and expand. The project includes the expansion of the Seating Division technical center in Troy, Oakland County, and also the relocation and expansion of its Interiors Division technical center and NAO headquarters in Auburn Hills. Together, the two projects will create up to 219 new engineering, technical, professional, managerial and clerical employees, and increases the combined size of the facilities, after the expansion and relocation, to 232,000 square feet.

The need for the expansion in Troy is necessary due to the acquisition of new OEM supply contracts, additional product validation requirements, the transfer of technical and administrative functions from Canada to the US, and the design and development of new domestic and international seating component platform systems. In Auburn Hills, the project includes relocating the current operations into a larger existing facility to allow Faurecia to expand its Interiors Division technical center and NAO headquarters. The technical center will focus on the design and development of new domestic and international vehicle interior system platforms, while the expanded headquarters will provide top-level support functions across all NAO operating divisions.

As stated, this project will create 219 new jobs with an average weekly wage of \$973. Total investment over five years will be approximately \$23.17 million. The company will offer health care benefits and pay a portion of the benefit costs.

**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 411 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$6.5 million (2008 dollars) due to the creation of these new jobs.

**BUSINESS CASE:**

Alternatively, the company considered locating these expansion projects in space they have available at similar facilities in Toledo, Ohio. One disadvantage of expanding in Michigan is that Faurecia's existing lease rate in Toledo is \$4 per square foot per year, while the blended lease rates for the combined Michigan locations is \$10 per square foot. Additionally, the corporate tax structure in Ohio makes it an attractive location for headquarters and tech center operations, as Ohio does not tax personal property used in a business. By locating the expansion in Toledo, Faurecia would have avoided state taxes levied upon sales, corporate profits and personal property. In addition, worker compensation costs in Michigan are higher than in Ohio.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Troy supports the Faurecia USA Holdings, Inc. project and anticipates the approval of PA 198 tax abatement.

The City of Auburn Hills supports the Faurecia USA Holdings, Inc. project and anticipates the approval of PA 198 tax abatement.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 219 net new employees.