

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION



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MEMORANDUM

DATE: November 19, 2002

TO: Michigan Economic Growth Authority

FROM: Kathy Blake, Senior Vice President *KB*
Business Development

SUBJECT: Briefing Memo – Gentex Corporation
Standard Credit

COMPANY NAME AND ADDRESS:

Gentex Corporation
600 North Centennial Street
Zeeland, Michigan 49464

HISTORY OF COMPANY:

Gentex Corporation is a global manufacturing company that provides automotive and fire protection products. The company began in 1974 as a manufacturer of fire protection products. Today, Gentex is best known as the pioneer of the electrochromic, automatic-dimming mirror industry. The company's Night Vision Safety (NVS) Mirrors are offered as standard or optional equipment on over 140 models around the world. Gentex has five operations in Michigan, employing 1,819 associates, with the vast majority located in the Zeeland area.

PROJECT DESCRIPTION:

Gentex needs to expand its operations for the manufacture of inside electrochromic mirror systems for the automobile industry. The company is considering sites in the City of Zeeland, Zeeland Township and Cordele, Georgia. The project and anticipated growth would require 100 acres of land and would lead to the construction of a new 225,000 square foot facility. The expansion is expected to generate 125 new jobs in the first year of operation and 625 new jobs over a five-year period. The new positions will pay an average weekly wage of \$550.

Total capital investment for the project would be approximately \$97 million over five years, including \$17 million for site development, building and infrastructure costs, and \$80 million for new machinery and

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equipment. The project would begin construction in the Spring of 2003, with operations starting by the Summer of 2005. The purchase and installation of new machinery and equipment will begin in early 2005.

BENEFIT TO STATE:

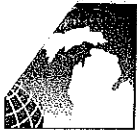
According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,499 jobs in the state by the year 2022. Total state government revenues through the year 2022, net of MEGA costs and adjusted for inflation, would be increased by \$86.6 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Gentex compared the costs of the project in the Zeeland area to Cordele, Georgia, a location closer to many Gentex customers in the South. After a comprehensive analysis, the major cost gaps identified by the company included labor and site development costs. The company estimates that labor costs will be approximately \$2.5 million per year higher in Michigan, once the facility is fully operational. This is caused by a 10-15% wage differential between the Zeeland area and the Georgia location. The state of Georgia has also been aggressive in recruiting this company, offering a package of incentives that includes free land and site preparation and job creation tax credits valued at \$12.5 million. The location in Georgia would also be eligible for Federal Enterprise Zone Tax Credits, which could provide the company with an additional \$9.4 million of federal tax credits.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for the 625 new employees or up to \$625,000. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$606,000. In addition, the state of Michigan will provide 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$1,972,600.



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The state of Michigan will also provide the local community a Community Development Block Grant worth between \$1.1 million and \$1.3 million, depending on the final site location. The grant will be used for site preparation and/or other infrastructure improvements, including water, sewer and road improvements. Finally, we will support application through the local community for a Transportation Economic Development Grant for road infrastructure improvements from the Michigan Department of Transportation. The approximate value of this grant will range from \$780,000 to \$943,000 depending on final site location.

The City of Zeeland and Zeeland Township have both approved a 50 percent abatement of the company's new real property for twelve years. In addition, the company will receive a 50 percent abatement of their new personal property for twelve years once that equipment is ready for purchase and use by the company. The City of Zeeland tax abatement, approved on October 23, 2002, has an estimated value of \$7.8 million. The Zeeland Township tax abatement, approved on November 4, 2002, has an estimated value of \$7.0 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 20 years, for up to 625 net new employees, and a business activity credit of 100 percent for ten years.