



## MEMORANDUM

**DATE:** December 12, 2000  
**TO:** Michigan Economic Growth Authority  
**FROM:** David Jeup, Vice President  
Global Business Development  
**SUBJECT:** Briefing Memo – Harman Enterprises, Inc.

201 N. WASHINGTON SQ.  
4TH FLOOR  
LANSING, MI 48913  
517 335 5883  
517 241 3683

CUSTOMER ASSISTANCE  
517 373 9808

[www.michigan.org](http://www.michigan.org)

### COMPANY NAME AND ADDRESS:

Harman Enterprises, Inc.  
Thirty Oak Hollow, Suite 240  
Southfield, Michigan 48034

### HISTORY OF COMPANY:

Harman Enterprises, Inc. is the design and engineering subsidiary of Harman Motive (a wholly owned subsidiary of Harman International). Harman Motive is a manufacturer of original equipment audio components for the automotive industry. Currently, Harman Enterprises has 30 employees, all located in Southfield, Michigan. Harman Motive, its parent, has approximately 1,200 employees in California and Indiana.

### PROJECT DESCRIPTION:

Harman Enterprises needs to upgrade and expand its design and engineering capabilities in order to meet new demand. This expanded research, development and engineering facility will be responsible for developing innovations in the design of automobile navigation, car radio entertainment, digital amplifiers and automobile speakers. The company would relocate to a leased facility in Farmington Hills, Michigan or Franklin, Kentucky.

The company estimates capital expenditures for this project will total \$9.7 million for the building and \$1.2 million for machinery and equipment, for a grand total of \$10.9 million. Leasehold improvements on the building would begin in late fall of 2000 and operations would start up in January 2001. The company anticipates hiring 30 employees in its first year and 48 employees in the second, for a total of 78 net new jobs. Average weekly wages would be \$1,032 and employees would also receive a benefit package worth up to 30 percent of wages.

**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 154 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjusted for inflation, would be increased by \$7,500,000 (2000 dollars) due to the presence of this facility.

**BUSINESS CASE:**

As part of the company's decision-making process, Harman has undertaken a comprehensive analysis between Farmington Hills, Michigan and Franklin, Kentucky. The presence of a Harman owned facility in Franklin, Kentucky with excess capacity, combined with the fact that the site is equidistant from Harman customers in "The South" and "The Midwest", make expansion in Kentucky an attractive option. However, barring costs, Michigan was a more attractive location from which to attract additional automotive clients based upon the significant presence of automotive headquarters and engineering facilities. The parent company found the tax incentives being offered by Kentucky combined with the existing capacity there, compelling. Therefore we felt it appropriate to offer them a High-Tech MEGA to retain the project in Michigan.

Overall, our motivations for the use of incentives to try and keep this expansion in Michigan addresses the following objectives:

- Retaining the existing job base of 30 employees and
- Capturing additional high paying jobs that would be created.

Specifically, our Single Business Tax incentives address the corporate tax incentives being offered in Kentucky.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide an abatement of 100 percent of the 6-mill State Education Tax for an amount of time to match the local property tax abatement. The estimated value of this abatement is \$7,806.

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The City of Farmington Hills will be providing the company with an abatement of personal property taxes related to the project, at a total estimated value of \$25,740.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a High Tech business activity credit of 100 percent for 10 years.