



MEMORANDUM

DATE: February 8, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development *James Donaldson*
SUBJECT: Briefing Memo – Hayes Lemmerz, International

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
517 335 2877
517 335 0198

CUSTOMER ASSISTANCE
517 373 9808

www.michigan.org

COMPANY NAME AND ADDRESS:

Hayes Lemmerz, International
15300 Centennial Drive
Northville, Michigan 48167

HISTORY OF COMPANY:

Hayes Lemmerz International is a manufacturer for the automotive and heavy truck industries. Products are wheels, hubs, drums, wheel end attachments and assemblies, undercarriage components and powertrain components. The company was established in 1908 and currently has 12 facilities throughout Michigan employing over 2,400.

DESCRIPTION OF PROJECT:

Due to an increase in sales, Hayes Lemmerz International needs to construct a new casting center for the production of aluminum knuckles, crossmembers and control arms. These products will go from raw aluminum ingot to machined product ready for assembly.

Capital expenditures required for this project include \$20 million in building and \$55 million in equipment purchases. By the end of 2003, this facility would employ 200. The jobs created in the first year will pay an average weekly wage of \$525 and a benefit package totaling 31 percent of wages.

The company has narrowed its choices to two options for the siting of this new facility. The company's plant in Montague, Michigan has adequate land available for construction of the facility. Also, the company has a plant in Wabash, Indiana which is currently under-utilized and could accommodate this project.

Briefing Memo
Hayes Lemmerz International
Page Two
February 8, 2000

BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 539 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs and adjusted for inflation, would be increased by \$32,017,000 (2000 dollars) due to the presence of the Hayes Lemmerz International facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Montague, Michigan and Wabash, Indiana. Based on figures obtained from the company, the cost disadvantage for Hayes Lemmerz International to locate this new facility in Montague, Michigan rather than Wabash, Indiana ranges from \$400,000 to \$1.3 million annually over the term of the incentive. The most significant factors in this differential are wages and taxes.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. The estimated value of this abatement is \$1,750,457. In addition the state will provide job training assistance to the company in the amount of \$500 for up to 200 new hires, for a total of \$100,000. A Community Development Block Grant in the amount of \$662,000 will assist the company with infrastructure improvements required at the site.

The city of Montague will provide the company with a 50 percent property tax abatement for a period of 12 years. The estimated value of this abatement is \$11,921,799. The city is also committing \$104,860 for infrastructure improvements on the site.

Briefing Memo
Hayes-Lemmerz International
February 8, 2000
Page Three

BUT FOR:

When evaluating site choices for this facility, the company chose two existing facilities that had capacity in either land and/or buildings to optimize costs. Either the Montague or Wabash facilities can accommodate this expansion. The company prefers the Montague location where it would have brand new buildings to house its state-of-the-art equipment. The company, however, needs the assistance of the MEGA program to help alleviate the identified cost differential.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for up to 200 net new jobs for a period of 12 years and a business activity credit of 100 percent for a period of 20 years.