



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** April 19, 2005  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Hoover Universal, Inc. - Holland  
Retention MEGA Credit

**COMPANY NAME AND ADDRESS:**

Hoover Universal, Inc.  
49200 Halyard Drive  
Plymouth, Michigan 48170

**HISTORY OF COMPANY:**

Hoover Universal is a wholly owned subsidiary of Johnson Controls, a global market leader in automotive systems and facility management and control. In the automotive market, it is a major supplier of integrated seating and interior systems, and batteries. For nonresidential facilities, Johnson Controls provides control systems and services including comfort, energy and security management. Johnson Controls, founded in 1885, has headquarters in Milwaukee, Wisconsin.

**PROJECT DESCRIPTION:**

Hoover Universal is considering a site in Reynosa, Mexico or a complete re-tooling of a Johnson Controls manufacturing plant that produces a different product, and is part of a different unit within Johnson Controls. The new operation will manufacture metals components for seating platform applications, throughout the midwest region. The new manufacturing processes at this proposed plant are not in operation anywhere in the world today. The building itself will require only minor renovation, however, the project investment is approximately \$69 million in personal property, and the project is projected to retain 544 jobs with an average weekly wage of approximately \$679.

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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate that this facility will retain a total of 1,234 jobs in the state by the year 2019. We also estimate that the project would create total state government revenues through the year 2019, net of MEGA cost and adjusted for inflation, of \$55.3 million (2005 dollars) due to the location of this facility.

**BUT FOR:**

Hoover Universal is considering two locations for this expansion, Holland Charter Township and Mexico. When comparing the locations, the company estimates that wage rates in Mexico are approximately 10 percent of wage costs in Michigan. However, transportation costs will exceed costs for a Michigan location by up to \$20 million annually, partially offsetting the wage differential. When this project is fully staffed, that business cost differential would be approximately \$4 million per year.

**OTHER STATE AND LOCAL ASSISTANCE:**

Holland Township has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$4,800,000. The abatement is expected to be finalized on May 5, 2005. In addition, the State of Michigan has offered 100 percent abatement of the six-mill state education tax, worth up to \$1,008,000 for the same period as the local abatement.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 14 year credit with a 100 percent employment tax credit for the first 10 years and a 50 percent employment credit for years 11 through 14 for up to 544 retained employees.