



MEMORANDUM

DATE: September 15, 1999

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo - Hoover Universal, Inc.

COMPANY NAME:

Hoover Universal, Inc.
c/o Johnson Controls, Inc.
49200 Halyard Drive
Plymouth, Michigan 48170

HISTORY OF COMPANY:

Hoover Universal is a wholly-owned subsidiary of Johnson Controls, Inc. The Hoover Universal division of Johnson Controls manufactures automotive seating and plastic machinery. Hoover Universal currently has approximately 3,500 employees in Michigan. The proposed project is in Hoover Universal's automotive seating division.

PROJECT DESCRIPTION:

Hoover Universal has gotten a contract to supply the Chrysler Toledo Jeep facility with seats for the new KJ series Jeep product scheduled to launch in January, 2001. Due to Hoover having to supply seats and sequence delivery of the seats based on production at the Jeep facility, Hoover's new plant must be within a one-half hour drive of the Jeep plant in Toledo. After considering several alternatives, the company decided it must either expand an existing facility in Toledo or build a new facility to accommodate this increase in business activity. The final sites under consideration by the company are Northwood, Ohio and Rockwood, Michigan.

The facility will employ 225 people and represent an \$8 million capital investment, \$4 million in land and building and \$4 million in machinery and equipment. The facility will be in full operation by July 1, 2001. The company

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will pay an average weekly wage of \$687 with a full benefit package totaling 40-45 percent of wages. 110 of the 225 required employees would be reassigned from Hoover's facility in Taylor, Michigan. The Taylor employees reassigned to Rockwood would be replaced by Hoover, resulting in no net job loss for Taylor. Total new job creation in Michigan will be 115.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 266 jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$7,226,000 (1999 dollars) due to the presence of the Hoover Universal facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Toledo, Ohio and Rockwood, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Hoover Universal to establish its manufacturing facility in Rockwood rather than Toledo ranges from approximately \$250,000 to \$3,000,000 over the term of the incentive. The cost differential is primarily attributable to site infrastructure improvements and higher unemployment and workers' compensation. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Ohio.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Hoover Universal with a 100 percent abatement of the six mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$148,741 over the term of the incentive. Economic Development Job Training funds will also be offered to the company at \$700 for up to 115 net new employees for a total of \$80,500. In addition, the community will be applying for a Transportation Economic Development Fund (TEDF) grant worth up to \$300,000 to provide road improvements required for this project.

*and \$600,000
in Community Development Block Grant funds
to assist in infrastructure development.*

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The City of Rockwood will provide a 50 percent property tax abatement for a period of 8 years worth approximately \$517,494. The City has also authorized ~~\$1.4 million~~ in Tax Increment Finance Authority (TIFA) funding to help defray costs of infrastructure improvements required at the site.

BUT FOR:

\$1,600,000

Without the assistance offered by the MEGA program, Hoover Universal would not locate this new facility in Michigan for the following reasons:

1. Building a new facility in Michigan will cost the company approximately \$1.8 million in additional land and site costs.
2. After Year 1, the company will be at a cost disadvantage of about \$250,000 per year due to higher workers' compensation and unemployment insurance rates. These higher rates are primarily due to the company having a much larger workforce in Michigan versus Ohio, therefore workers' compensation and unemployment insurance rates fluctuate more in Michigan.
2. The company's sole customer for which this facility needs to be built is pressuring them to place the facility as close as possible to the Toledo Jeep facility.

Hoover Universal has indicated that it would prefer a Michigan location due to the high quality of the workforce and the synergies that the company can enjoy by locating near another of its seat manufacturing facilities in Taylor. Also, the Rockwood location would put the facility closer to its Engineering and Program Management personnel, located in Plymouth, Michigan.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 5 years and 75 percent for the next 4 years for up to 115 net new jobs. In addition, a Business Activity Credit of 100 percent for the first 5 years is recommended.