



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

**CUSTOMER
CONTACT CENTER**
517 373 9808

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MEMORANDUM

DATE: April 15, 2003
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – Inalfa Roof Systems, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Inalfa Roof Systems, Inc.
1370 Pacific Drive
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

Inalfa Roof Systems, Inc. designs and assembles roof systems for original equipment automotive markets worldwide. Inalfa is a subsidiary of a Dutch company, Inalfa Roof Systems Group BV. Inalfa was incorporated in the United States in 1984 as a joint venture of two Dutch companies, Vermuellen Hollandia and Inalfa BV. In 1999, Inalfa bought out 100% of VH's shares. Currently, Inalfa Roof Systems has 331 employees at their Auburn Hills facility.

PROJECT DESCRIPTION:

Inalfa needs to expand their assembly operations for the production of electronic sunroof modules. The company is considering a site in Grand Blanc Township, which would operate as a satellite assembly operation to their current engineering technical center and assembly operation in Auburn Hills. The project would include the lease of an existing 15,000 square foot facility in Grand Blanc Township, which would then be expanded to 50,000 square feet. The expansion is expected to generate 86 new jobs in the first year of operation and 75 additional new jobs in the second year of operation, for a total of 161 new jobs. The new positions will pay an average weekly wage of \$590. Inalfa is also considering an existing operation in Oklahoma City, Oklahoma for this project.

Total capital investment for the project would be approximately \$8.4 million over three years, including \$2.5 million for capitalized lease costs and infrastructure improvements and \$5.9 million for new

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machinery and equipment. Construction on the expansion of the building would begin in June 2003, with operations starting in February 2004.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 383 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjusted for inflation, would be increased by \$12.4 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Inalfa Roof Systems compared the costs of the project in Grand Blanc Township to Oklahoma City, Oklahoma. After a comprehensive analysis, the major cost gap identified by the company was lower labor costs. First, the company estimates that labor costs in Oklahoma would be 10% lower, saving the company nearly \$500,000 per year. Second, the Oklahoma location would save Inalfa an additional \$700,000 annually in labor costs because the company would have the ability to utilize existing managerial and supervisor staff at the project location, saving the company labor costs for 16 redundant positions.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$9,700. In addition, the company will be eligible for an exemption of an estimated \$336,000 of sales taxes due to the nature of the equipment being added to this facility.

Grand Blanc Township is supporting a 50 percent abatement of the company's new real and personal property for eight to twelve years, pending final adoption by Grand Blanc Township. Assuming the company receives a 10-year abatement, the estimated value would be \$499,100. Tax abatement approval is expected to be complete by June 2003.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 161 net new employees.