



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: August 14, 2007

TO: Michigan Economic Growth Authority

FROM: Mark Morante, Vice President
Development Finance

Amy Banninga, Project Team Manager
Development Finance

SUBJECT: Briefing Memo – Karl Schmidt Unisia, Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Karl Schmidt Unisia, Inc.
34500 Grand River Avenue
Farmington Hills, Michigan 48335

HISTORY OF COMPANY:

Karl Schmidt Unisia, Inc and its related entities are owned by Rheinmetall AG, a German company that traces its roots to a company founded in Berlin in 1909. The companies that will locate at the project site operate under the umbrella of Kolbenschmidt Pierburg AG (KSPG).

KSPG employs 45 individuals at a facility in Southfield, Michigan. These companies design and manufacture components for the automotive industry, including gasoline and diesel engine pistons, emission controls, air supply, throttle valves, solenoid valves, and oil, vacuum, and water pumps. Many of their engineering activities are focused on upgrading power density and reducing fuel consumption and emissions.

PROJECT DESCRIPTION:

KSPG is considering locating its high technology center in Auburn Hills. The high technology center will focus on the development of technologies to utilize alternative fuels and hybrid vehicles, and the development of products including prototype emissions components, and electric coolant pumps for hybrid vehicles. The company will relocate its current operation from Southfield to this expanded facility. KSPG anticipates making an investment of approximately \$11 million over the term of the lease.

The company anticipates the creation of 153 new jobs with an average weekly wage of \$1,668. Most of the positions will involve competitive edge technology related to the design, engineering and testing of advanced components for automotive engines.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 353 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$7.2 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

The company is also considering existing company locations in Fort Wayne, Indiana and Fountain Inn, South Carolina as the site for the project. Although KSPG currently operates an engineering office in Michigan, the high technology center would essentially be a new operation of the applicant and its related companies. Higher labor costs in Michigan will add approximately \$1.4 million to annual operation costs once the project is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Auburn Hills has proposed an eight year personal property tax abatement under PA198 of 1974. This abatement has an estimated value of \$147,600.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing related to the development of a product, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for eight years, for up to 153 net new employees.