

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: October 17, 2006

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President  
Michigan Business Development *[Signature]*

SUBJECT: Briefing Memo – Karmann Manufacturing LLC  
Standard Credit

COMPANY NAME AND ADDRESS:

Karmann Manufacturing LLC  
14988 Pilot Drive  
Plymouth, Michigan 48170

HISTORY OF COMPANY:

Founded in 1996, Karmann USA, Inc. is a wholly owned subsidiary of Wilhelm Karmann GmbH, which is headquartered in Osnabrueck Germany. In December 2003 Karmann Manufacturing was founded as the manufacturing arm of Karmann USA. The company manufactures both hard and soft top convertible roof systems for General Motors and DaimlerChrysler.

Karmann USA and related entities currently have 323 employees in Michigan.

PROJECT DESCRIPTION:

The company has secured additional business to manufacture a convertible roof system for a North American OEM and needs to expand its operations. The company has proposed a facility to manufacture this product as well as subsystem assemblies for other convertible roof systems currently being supplied from Karmann's tiered supply base. This new operation will enable Karmann to broaden their product portfolio and ability to supply top systems for virtually all convertibles manufactured in North America.

The project will require capital investment of approximately \$22 million, including \$19 million for special tooling. The company anticipates the creation of up to 375 new jobs in the first five years of operations. The pay for these new jobs will average at least \$576 per week.

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**BENEFIT TO STATE:**

According to the economic analysis done by the MEDC utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 735 jobs in the state by the year 2016. We also estimate that the project would increase total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$22.3 million (2006 dollars) due to the location of this facility.

**BUT FOR:**

The company has also considered the Portland Tennessee area for this project. The company has been offered major property tax abatements, infrastructure and training assistance and the State Job Tax Credits. The company recognizes that there are benefits of close proximity to Karmann's existing Technical Center in Plymouth, but they are still facing a cost disparity in Michigan of \$3 million per year.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Charter Township of Plymouth has approved a fifty percent abatement of local real and personal property taxes for ten years. This incentive is valued at \$261,000.

The Michigan Economic Development Corporation has offered up to \$212,500 in training assistance through the Economic Development Job Training program; up to \$500 per employee will be provided to train up to 425 new or existing employees.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 375 net new jobs.