



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 16, 2003
TO: Michigan Economic Growth Authority
FROM: Kathy Blake, Senior Vice President *[Signature]*
Business Development
SUBJECT: Briefing Memo – Karmann Manufacturing, LLC
Standard Credit

COMPANY NAME AND ADDRESS:

Karmann Manufacturing, LLC
14967 Pilot Drive
Plymouth, Michigan 48170

HISTORY OF COMPANY:

Wihelm Karmann GmbH, was established in 1901 and has built over 3 million vehicles since 1949. Karmann employs over 9,500 people worldwide, at locations in Germany, Portugal, Brazil, Mexico, and the United States. Karmann USA, Inc. was established in 1996 and provides technical development services for various automotive companies. The company now employs 66 engineering and support personnel at their technical center in Plymouth Township.

PROJECT DESCRIPTION:

Karmann has recently been awarded contracts with two automotive OEMs to build convertible roof systems. To meet these production requirements, Karmann has proposed the construction of its first U.S. manufacturing facility in Plymouth Township, adjacent to their existing technical center. The company is also considering a site in Pulaski, Tennessee.

If Karmann selects Michigan, the project is expected to result in the creation of 251 jobs over the first five years with an average weekly wage of \$743. Total capital investment will be \$13 million, including a 108,000 square foot built-to-suit leased facility and the manufacturing equipment required to produce the roof systems. Construction on the facility would begin in March 2004, with operations beginning in September 2005.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 608 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$25.1 million (2003 dollars) due to the presence of this facility.

BUT FOR:

As part of the company's decision-making process, Karmann compared the costs of operation at sites in Tennessee to sites in Michigan. The company faces higher labor, utilities and taxes in Michigan, which are partially offset with higher transportation costs in Tennessee. This differential is estimated to be approximately \$1.2 million per year once the project is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$168,000.

Plymouth Township has proposed a 50 percent abatement of the company's new real and personal property taxes for 12 years. The value of the abatement is estimated at \$1,080,000. The abatement is expected to be finalized on January 13, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an 85 percent employment tax credit for twelve years for up to 251 net new employees.