



ORIGINAL

600 N. WASHINGTON SQ.  
ANN ARBOR, MI 48103

CUSTOMER  
CONTACT CENTER  
734 773 9808

WWW.MICHIGAN.ORG

MEMORANDUM

DATE: April 17, 2007  
TO: Michigan Economic Growth Authority  
FROM: Jim Donaldson, Vice President  
Business Development  
SUBJECT: Briefing Memo – Keihin Michigan Manufacturing, LLC  
Standard Credit

EXECUTIVE COMMITTEE  
MATTHEW P. CULLEN  
Chair  
General Motors

PHILIP H. POWER  
Vice-Chair  
HCN, Inc.

AMES C. EPOLITO  
President & CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

JOHN W. BROWN  
Stryker Corporation

R. DAVID E. COLE  
Center for  
Automotive Research

JOANN CRARY  
Saginaw Future Inc.

R. HAIFA FAKHOURI  
Arab American and  
Chaldean Council

STEVEN K. HAMP  
Ann Arbor

RYDEN H. HARRIS  
EDF Ventures

DAVID HILLEGONDS  
DTE Energy Company

GEORGE JACKSON JR.  
Detroit Economic Growth  
Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC.

ROBERT B. JONES  
City of Kalamazoo

IRGIT M. KLOHS  
The Right Place, Inc.

THOMAS LEWAND  
Bodman LLP

R. IRVIN D. REID  
Wayne State University

MICHAEL B. STAEBLER  
Pepper Hamilton LLP

ROBERT W. SWANSON  
Michigan Department of Labor  
& Economic Growth

ENNIS R. TOFFOLO  
Oakland County

PETER S. WALTERS  
Guardian Industries Corp.

COMPANY NAME AND ADDRESS:

Keihin Michigan Manufacturing, LLC  
400 West New Road  
Greenfield, IN 46140

HISTORY OF COMPANY:

Keihin Michigan Manufacturing, LLC (KMM), is a new entity and is a wholly-owned subsidiary of Keihin Indiana Precision Technology, Inc. (KIPT). Incorporated in April 1988, KIPT was formed to manufacture and supply air and fuel management systems, HVAC systems and electronic control systems. The company sells all of its products to Honda of America Mfg., Inc. and its affiliates primarily in the United States and Canada. KIPT and its subsidiaries employ over 2,000 people at facilities in Indiana and North Carolina.

PROJECT DESCRIPTION:

KMM is considering the construction of a new manufacturing facility at a greenfield site in the Village of Capac in St. Clair County. When fully ramped up, the new plant will house three shifts of plastic injection molding and two shifts of assembly operations for HVAC assemblies and intake manifold assemblies. The anticipated investment to construct and equip this new plant is approximately \$22 million.

This new plant will employ up to 260 people within 5 years, with an average weekly wage of \$564.

Briefing Memo  
Keihin Michigan Manufacturing, LLC  
April 17, 2007  
Page Two

**BENEFITS 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 create a total of 570 jobs in the state by the year 2019. We also estimate that the project would maintain total state government revenues through the year 2019, net of MEGA cost and adjusted for inflation, of \$28.5 million (2007 dollars) due to the location of this facility.

**BUT FOR:**

KMM is also considering Indiana for this plant location, where they already have facilities and land. Construction costs, as well as labor and benefits costs, are considerably lower in Indiana. Indiana is also geographically better situated for serving multiple customers.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Village of Capac is prepared to support a 50 percent, 12-year abatement of the company's property taxes related to investments in new real and personal property. The abatement on the company's initial new investment has an estimated value of \$2.3 million. The Village has scheduled a public hearing for April 16 to establish an Industrial Development District, and is prepared to approve the tax abatement at their May 2007 meeting.

The State of Michigan will also abate 100 percent of the State Education Tax (SET) mills for the length of the property tax abatement. The value of the SET abatement is worth up to \$500,000 over the term of the local property tax abatement.

Additionally, the State of Michigan is offering up to \$350,000 in Community Development Block Grant funds for public infrastructure improvements required to support this project.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for eleven years, for up to 260 net new employees.