



MEMORANDUM

Date: March 15, 2011
To: Michigan Economic Growth Authority
From: Joe Quick, Project Specialist
Packaging Team
Subject: Briefing Memo – Key Plastics, L.L.C.
Standard MEGA Credit

COMPANY NAME

Key Plastics, L.L.C.
21700 Haggerty Road, Suite 150
Northville, Michigan 48167

HISTORY OF COMPANY

Key Plastics is a supplier of a broad range of highly engineered plastic components and functional assemblies to manufacturers of light vehicles and tier one suppliers in the auto industry in North America, Europe and Asia. With approximately 4,100 employees across these continents, Key Plastics produces door handles, pressurized fluid reservoirs, decorative bezels, center consoles, air vents, decorative trim and under hood technical components. Additionally, the company has an accredited testing laboratory and a complete CAD/CAE department with in-house rapid prototyping.

The company currently has 480 employees in Michigan.

PROJECT DESCRIPTION

Key Plastics has made the decision to relocate various products from its Hartford City, Indiana facility, including exterior and interior door handles, liftgate handles, and airbag covers to other Key Plastics facilities. The existing Howell plant is a strong contender for the majority of this work (70%), with the remaining work going to the Cascade Township facility. Additionally, if these lines go to Howell and Cascade Township, some engineering support related to them will be relocated to the company headquarters in Farmington Hills.

The company plans to invest approximately \$10.3 million, of which \$820,000 is dedicated to lease costs, and create 297 jobs over the next five years, with 185 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$472. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 1,022 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$13,631,506 (current dollars) due to the presence of this facility.

BUSINESS CASE

In addition to higher taxes in Michigan, the State of Indiana has contacted the company regarding possible incentives to keep the Hartford City plant open and close the Howell facility instead. In addition, Key Plastics is looking at the possibility of moving some of these lines to its production plant in Pennsylvania, citing a more experienced workforce, on average, in that location.

OTHER STATE AND LOCAL ASSISTANCE

The Howell City Council approved a PA 328 for new personal property for a period of 12 years on February 14, 2011. Cumulative tax revenue abated over the next five years is expected to be approximately \$303,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 4 years for up to 297 net new employees in excess of the company's established base of 480. Additionally, the company must create and maintain a minimum of 200 jobs by the end of year three, or the fourth credit year will be forfeited.