



## MICHIGAN JOBS COMMISSION

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**TO:** Michigan Economic Growth Authority  
**FROM:** Douglas E. Stites, Chief Operating Officer  
**DATE:** December 17, 1996  
**SUBJECT:** Briefing Memo-Kwang Jin Sang Gong Co., Ltd.

### COMPANY NAME:

Kwang Jin Sang Gong Co., Ltd.  
1607 E. Big Beaver Road  
Suite 150  
Troy, Michigan 48083

### HISTORY OF COMPANY:

Kwang Jin Sang Gong Co., Ltd., was founded in 1973 and opened its Troy liaison office in November 1994. Presently Kwang Jin Sang Gong Co., Ltd., operates a sales and administrative office in Troy and has six employees. Kwang Jin Sang Gong Co., Ltd., manufactures window regulators, hood latches, trunk latches, and floor pedals for the automotive industry in Korea. Their North American operation will produce only window regulators for General Motors. The company presently supplies approximately 5.3 million window regulator mechanisms per annum to Hyundai, Daewoo, and General Motors from its Korean plant. Annual sales for the company are about \$70 million per annum. Total employment for Kwang Jin Sang Gong Co., Ltd., is approximately 500.

### PROJECT DESCRIPTION:

The company is considering Battle Creek, Michigan, or Gainesville, Georgia, for its first manufacturing facility in North America. This plant will manufacture door window regulator mechanisms for the auto industry. Specifically, the company has received purchase orders from General Motors covering six product lines. The total volume of vehicles covered presently by these purchase orders is approximately 1.2 million cars up to the year 2002. In addition to the manufacturing operations, Kwang Jin Sang Gong Co., Ltd., will also operate a research and development center and appropriate testing facilities for its products. This project will require the company to invest approximately \$9 million, in addition to creating 199 new jobs. The average

weekly wage is approximately \$550. Annual payrolls will be approximately \$5.7 million at full production. The company has an employee benefit package that averages 27 percent of payroll.

It is anticipated that Kwang Jin Sang Gong Co., Ltd., will establish a wholly-owned subsidiary, Kwang Jin America, Inc., in early 1997, to operate in Battle Creek, Michigan. At that time the MEGA tax credit will be transferred from Kwang Jin Sang Gong Co., Ltd., to Kwang Jin America, Inc.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 683 new jobs in the state by the year 2009. Total state government revenues through the year 2009, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$18,099,000 (1996 dollars) due to the presence of the Kwang Jin Sang Gong Co., Ltd., facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Gainesville, Georgia, and Battle Creek, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Kwang Jin Sang Gong Co., Ltd., to establish their manufacturing facility in Battle Creek, Michigan, rather than Gainesville, Georgia, ranges from approximately \$538,000 to \$1,263,000 annually over the term of the incentive. The cost differential is primarily attributable to wages and taxes. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Georgia.

**OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will be providing a 100 percent abatement of the 6-mill school property tax for a period of 12 years, worth up to \$193,360.

Local assistance will be in the form of a 12-year, 50 percent tax abatement valued at \$997,417. Additionally, Battle Creek will sell approximately 10 acres of property to the company at a reduced cost.

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**BUT FOR:** The company has examined the cost differential between locating in Gainesville, Georgia, and Michigan, and also the factors that could influence it to locate in Michigan despite a cost disadvantage. The company would not consider locating in Michigan without the MEGA tax credit to offset the wage differentials. The ability to offer MEGA to the company will allow it to locate in Michigan and help offset the inherent advantages of proximity to its supplier base and current customer base.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 12 years for up to 199 net new jobs, and a business activity credit of 100 percent for a period of six years.