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MEMORANDUM

DATE: June 13, 2000

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – LDM Technologies, Inc.

COMPANY NAME AND ADDRESS:

LDM Technologies, Inc.
2500 Executive Hills Drive
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

LDM Technologies, Inc. (LDM) is privately held and was incorporated in 1985 to continue the operations of a plastic injection molding company which had been acquired. LDM is a Tier 1 automotive supplier and manufactures plastic injection molded parts, provides assembly of plastic components and designs new automotive systems. LDM currently operates 10 facilities in Michigan with a total employment of 1,371.

DESCRIPTION OF PROJECT:

Due to an increase in sales, LDM needs to construct a new manufacturing facility to supply bumper fascias. The company would lease a 250,000 square foot facility. Building costs are estimated at $11.4 million and machinery and equipment purchases would total $28 million, for a total investment of $39.4 million. The facility would employ up to 320 workers within five years at an average weekly wage of $565 and a benefit package worth up to 21 percent of wages.

Construction would begin in June 2000 and full production at the facility would commence in June 2001. Sites being considered for this facility are an existing building in Romulus, Michigan which can be retrofitted to accommodate this project, or an existing facility in Tilbury, Ontario, Canada.

BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 520 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by $12,054,000 (2000 dollars) due to the presence of the LDM facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Romulus, Michigan and Tilbury, Ontario. Based on figures obtained from the company, the cost disadvantage for LDM to locate this expansion in Michigan rather than Ontario amounts to approximately $700,000 annually over the term of the incentive.

The most significant factor in this differential is wages, which are approximately nine percent lower in Ontario. The Michigan Economic Development Corporation has reviewed these cost differentials and feel they are accurate.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide LDM a 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. It is estimated that the value of this abatement will be $386,851. In addition, the state will offer job training assistance of $1,250 each for up to 320 net new jobs, or a total of $400,000.

The City of Romulus will be providing the company with a 50 percent abatement of personal property taxes for a period of 8 years, estimated to be worth up to $1,641,137.

BUT FOR:

Although we cannot bridge the gap completely with a MEGA award, the company has indicated that when the entire incentive package is added together, it takes care of enough of the gap to proceed with putting the project in Michigan. The company believes it will be able to hire a qualified and skilled workforce in the Romulus area and feels that the state and the City of Romulus has shown a sincere effort to help accommodate the company's needs.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 320 net new jobs for a period of eleven years and 50 percent for one year, and a business activity credit of 100 percent for a period of eleven years and 50 percent for one year.