



## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

# MEMORANDUM

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**Date:** November 17, 2009

**To:** Michigan Economic Growth Authority Board

**From:** Amy Deprez, Manager  
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**Subject:** Briefing Memo – Lear Corporation  
Standard & Retention MEGA Credit

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#### COMPANY NAME

Lear Corporation  
21557 Telegraph Road  
Southfield, Michigan 48033

#### HISTORY OF COMPANY

Lear Corporation (Lear) is the fourth largest United States based automotive supplier, and is among the top ten automotive suppliers in the world. The company had annual sales of over \$13.8 million in 2008. The company is headquartered in the City of Southfield, Oakland County, and has 215 facilities in 35 countries, including 12 facilities in the State of Michigan.

Lear holds strong positions in its core products of automotive seating systems, electrical distribution systems, and electronic products. Lear has won contracts in the hybrid and plug-in hybrid markets, and continues development of components for these vehicles.

Lear currently has 2,112 employees in the State of Michigan.

#### PROJECT DESCRIPTION

The proposed project is the retention and expansion of Lear's Seating Systems Division (SSD) and Electrical & Electronics Division (EED) in the State of Michigan. The company plans to make capital investment, retain existing employees, and create new jobs in the Village of Roscommon/Higgins Township in Roscommon County, the City of Southfield in Oakland County, and the City of Taylor in Wayne County. The company has existing contracts that can retain the existing jobs and create new jobs at each of these sites.

Lear Corporation will invest up to \$8.69 million, creating 151 qualified new jobs and retaining 155 jobs over the next five years in the Village of Roscommon/Higgins Township. This location is a part of the company's Seating Systems Division.

The company will invest approximately \$3 million in the City of Southfield, creating 68 new jobs and retaining 308 jobs. This location is a part of the company's Electrical & Electronics Division, the jobs and investment will be located in building 100 and 200 of the headquarters campus.

The company will invest up to \$2 million in the City of Taylor, creating 5 new jobs and retain 58 jobs. This location is a part of the Lear's Electrical & Electronics Division.

The total project will result in a total capital investment of up to \$14 million. The entire project will create 224 new jobs, and retain 521 existing employees. The average weekly wage for the new jobs will be \$806, with the average weekly wage of the retained jobs being \$1,093. 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 retain a total of 1,836 jobs and create a total of 768 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$46.6 million (current dollars) due to the presence of these facilities.

#### **BUSINESS CASE**

Lear Corporation is re-evaluating its footprint throughout the world as the company exits bankruptcy. The company has locations at 215 facilities throughout the world, many with excess capacity. For the Village of Roscommon's portion of the project the company considered their existing operations in Indiana, Tennessee, and Mexico for this project. For the portions of the project in Southfield and Taylor the company considering moving these operations to their existing facilities in China, Spain, India, or Philippines. The company cited lower wages at each of these locations as a reason to relocate the work.

The Retention and Standard MEGA Tax Credit offset the competitive disadvantage with these alternative project locations to secure Lear Corporation's presence in the State of Michigan for the long-term.

#### **OTHER STATE AND LOCAL ASSISTANCE**

The Village of Roscommon is supportive of this project and plans to approve a property tax abatement under PA 198 of 1974.

#### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 50 percent retention employment tax credit for 5 years for the 521 retained employees at the Village of Roscommon/Higgins Township, City of Southfield buildings 100 and 200, and City of Taylor facilities.

The Michigan Economic Development Corporation also recommends a 100 percent new jobs employment tax credit for up to 224 net new employees for five years at the project sites in excess of the company's established statewide employment base of 2,167.