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**MEMORANDUM**

**DATE:** June 12, 2002  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Lear Corporation-Mendon Standard Credit

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**COMPANY NAME AND ADDRESS:**

Lear Corporation Mendon  
C/O 21557 Telegraph  
Post Office Box 5008  
Southfield, Michigan 48086

**HISTORY OF COMPANY:**

Lear Corporation Mendon is a wholly owned subsidiary of Lear Corporation. Lear Corporation, founded in Detroit in 1917, is now a Fortune 150 company focusing on automotive interior systems. Lear Corporation is the fifth largest automotive supplier in the world, with over 100,000 employees in more than 300 facilities worldwide. In Michigan, the company operates roughly 30 facilities employing nearly 10,000 people. Lear Corporation Mendon designs, engineers and manufactures automotive systems, notably overhead lighting systems, climate control/backlit products and armrest components. This facility employs 681 workers.

**PROJECT DESCRIPTION:**

Due to winning several new contracts for upcoming automotive platforms to produce overhead systems, Lear Corporation needs to expand one of its two facilities in the United States that design and manufacture these components. The expansion will occur in either Bourbon, Indiana or at the Mendon, Michigan facility.

If the expansion occurs in Mendon, it requires an investment of \$90,000 to renovate the facility and \$4.1 million in machinery and equipment, for a total capital investment of \$4.2 million. Average weekly wages at the facility will be \$526, with a benefit package

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totaling nearly 30% of wages. Building renovations would commence this year and staffing would ramp up to 190 people over the next four years.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 438 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$12 million (2002 dollars) due to the presence of this facility.

**BUT FOR:**

The parent company, Lear Corporation, has the option of locating this expansion at the existing facility in Mendon or an affiliate facility in Bourbon, Indiana. Indiana has aggressively offered incentives for the project, including credits for new jobs created. Additionally, the company would realize substantial savings in both wages and taxes with an Indiana location. It is estimated that an annual cost disparity of roughly \$1,000,000 exists between the two facilities.

The Mendon facility, however, has been in operation since 1932 and has an excellent workforce. In fact, the workers have agreed to wage concessions in an effort to attract this new work to their plant and managers at the plant have taken a reduction in their 401k plans to support this effort. Without a MEGA tax credit, however, the company will not be able to justify the remaining cost disparity between the Michigan and Indiana operations.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$38,761. In addition, the Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$300 for each of 190 new employees, for a total of \$57,000.

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The Village of Mendon, on May 13, approved a 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of this local abatement is \$267,364.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for ten years and a business activity credit of 100 percent for ten years for up to 190 net new jobs.