

MEMORANDUM

DATE: April 14, 2009

TO: Michigan Economic Growth Authority

FROM: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging

Greg West, Project Specialist
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Lenawee Stamping Corporation
Standard MEGA Credit

COMPANY NAME:

Lenawee Stamping Corporation
1200 E. Chicago Blvd
Tecumseh, MI 49286

HISTORY OF COMPANY:

Lenawee Stamping Corporation (LSC) was incorporated in Michigan on August 20, 1987. The company produces metal stamping and welded fabrications for automobile bodies and substructures. LSC's major customers include Auto Alliance International, located in Flat Rock, Michigan, and Navistar, with operations in Ohio, Indiana, and Ontario.

On March 6, 2006, BVR, LLC acquired LSC from Mazda Corp. The stockholders of BVR, LLC are Bing Investments and VRL, Inc. VRL, Inc. is a wholly-owned subsidiary of Van-Rob Inc., a Canadian corporation located in Aurora, Ontario, Canada.

LSC currently has 172 employees in Michigan.

PROJECT DESCRIPTION:

The project under consideration would transfer existing Ford business currently located in Canada to LSC in the City of Tecumseh, Lenawee County, and will require a large investment in new machinery and equipment. The company will utilize its existing facility for this project, which creates the need for a third shift that LSC does not currently operate.

Total investment for LSC over five years will be approximately \$6.625 million. This project will create 81 new jobs with an average weekly wage of \$544. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFITS 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 create a total of 277 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost, of \$6.7 million (current dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the project could be placed in existing Van-Rob plants located in Canada or an existing Van-Rob facility located in Tennessee, all of which are not operating at full capacity. LSC's main competitive disadvantage is its current cost of labor. The other sites under consideration have approximately a \$2.25 per hour labor cost advantage. In addition, the amount of personal property tax paid in Michigan is also greater than the other sites being considered.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Tecumseh is supportive of this project and anticipates the approval of a 12-year personal property tax abatement. The estimated value of this abatement is \$397,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends an 80 percent employment tax credit for seven years, for up to 81 net new employees over the established employment base of 276.