



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: June 17, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging USA

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SUBJECT: Briefing Memo – MAHLE Industries, Incorporated
High Tech MEGA Credit

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COMPANY NAME:

MAHLE Industries, Incorporated
23030 Haggerty Road
Farmington Hills, MI 48335

HISTORY OF COMPANY:

The MAHLE group of businesses, MAHLE GmbH, is a leading global manufacturer of components for the automotive and heavy duty engine industry. They are among the top 30 Tier 1 suppliers globally.

The Farmington Hills location was established in 1998 and serves as MAHLE's North American Technical Center and as such is devoted to Research and Development, Technical Design, Testing and Product Analysis.

MAHLE currently employs 935 employees in Michigan, which includes 161 at this Farmington Hills facility.

PROJECT DESCRIPTION:

The proposed project is an expansion of MAHLE's Farmington Hills facility, which currently houses their North American Technical Center. The company is proposing an initial 45,000 sq. ft., four story, office building expansion. In addition to an expansion of Engineering positions, MAHLE would also be consolidating NAFTA wide functions in Human Resources, Controlling, Accounting, I.T. and other administrative functions to Farmington Hills.

MAHLE estimates this expansion will create an additional 155 employees over the next 5 years, with an estimated average weekly wage of \$1,357. The company will also offer health care benefits and pay a portion of the benefit costs. The total investment for MAHLE's proposed expansion in Farmington Hills is estimated at \$27,650,000.

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 generate a total of 324 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$6.6 million (2008 dollars) due to the presence of this expansion.

BUESINESS CASE:

MAHLE is also considering an expansion at their Morristown, Tennessee facility. The Morristown facility is their largest North American production location and is where many of these functions currently reside.

To accommodate this expansion, MAHLE has projected a need to invest \$6.5 million more in for locating in Farmington Hills verses Morristown. Furthermore, there is a higher annual cost of business in Michigan due to wages and taxes.

LOCAL ASSISTANCE:

The City of Farmington Hills supports the MAHLE expansion and has approved a real property tax abatement for eight years, and personal property tax abatement for 12 years under PA198 of 1974. The estimated value of this abatement is \$1.2 million.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high tech employment tax credit for seven years, for up to 155 net new employees.