



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: March 17, 2009
TO: Michigan Economic Growth Authority
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SUBJECT: Briefing Memo – Magna Electronics
High Technology MEGA Credit (Look-Back)

COMPANY NAME:

Magna Electronics
600 Wilshire Drive
Troy, MI 48084

HISTORY OF COMPANY:

Magna Electronics, a wholly-owned subsidiary of Magna International, was founded 2006 in order to develop and manufacture a wide range of electrical/electronic products and systems for the automotive industry. With its individual core products the group is focusing on the following segments: driver assistance and safety, body systems and HMI, electromechanical components and power systems, engine electronics and liquid level sensors, industrial products as well as lighting systems. With this core competence in the electronic sector Magna Electronics adds to the comprehensive product portfolio of Magna.

The company currently has 310 full-time employees in Michigan.

PROJECT DESCRIPTION:

In October 2008, Magna Electronics purchased the assets of BluWāv Systems LLC to enhance the company's position in developing and supplying components in the emerging market for electric and hybrid vehicles. This project will expand the company's resources and ability for design, development, testing and commercialization of new product technologies.

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Magna Electronics will invest approximately \$20 million and create 90 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,855. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 201 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$3.3 million (current dollars) due to the presence of this facility.

BUSINESS CASE:

Alternatively, the company is considering a site in Huntsville, Alabama due to the availability of highly-skilled electronics and electrical engineers. In addition, the wage rate for these highly skilled employees is significantly lower at the alternate site.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Rochester Hills plans to support this project by offering an eight-year P.A. 198 tax abatement on eligible personal property with an estimated value of \$139,271 to Magna Electronics. The City anticipates approving the abatement on March 16, 2009.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified advanced automotive, manufacturing and materials technology business, as defined in the Act.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 200 percent high-technology employment tax credit for years one through three, followed by a 100 percent employment tax credit for years four through seven for up to 90 net new employees in excess of the company's established base of 310, including a look-back period as described below:

- The look-back period will be established as of January 5, 2009 for up to three employees hired on or after that date.