



MEMORANDUM

Date: June 14, 2011

To: Michigan Economic Growth Authority

From: Joshua Hundt, Senior Project Specialist
Packaging Team

Subject: Briefing Memo – Magna Exteriors and Interiors USA, Inc.
Standard MEGA Credit

COMPANY NAME

Magna Exteriors and Interiors USA, Inc.
600 Wilshire Drive
Troy, Michigan 48084

HISTORY OF COMPANY

Magna Exteriors and Interiors USA, Inc. (“Magna Exteriors and Interiors”) is a wholly owned subsidiary of Magna International, Inc. It is a full service supplier of exterior vehicle appearance systems to the global automotive industry. Magna Exteriors and Interiors capabilities include design and engineering, styling, tooling, manufacturing, assembly and sequencing, testing, continuous improvement, consumer and market research, benchmarking, and electrical/electronic system integration.

Magna International, Inc. and subsidiaries claim to be the most diversified automotive supplier in the world. Magna International, Inc. and subsidiaries design, develop, and manufacture technologically advanced automotive systems, assemblies, modules and components, and engineers and assembles complete vehicles, primarily for sale to original equipment manufacturers of cars and light trucks.

Magna International, Inc. and subsidiaries have over thirty locations and approximately 7,000 employees in the State of Michigan. Magna Exteriors and Interiors has 385 employees in Michigan all located in the City of Howell, Livingston County.

PROJECT DESCRIPTION

Magna Exteriors and Interiors has purchased the assets and business of Continental Plastics Co., an automotive interior components supplier with facilities in Michigan and Georgia. Magna has developed a preliminary restructuring plan that will result in the majority of this business to be consolidated to Continental Plastic’s China Township and Village of Benzonia, Michigan facilities. The company will also create jobs at an existing Magna facility in the City of Howell, Livingston County.

As a result of the asset purchase the company plans to invest approximately \$14.4 million, of which \$3.2 million is lease costs, and create 333 jobs over the next five years, with 309 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$487. 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 generate a total of 1,166 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$18.9 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Magna Exteriors and Interiors also considered relocating this work to Spartanburg, South Carolina. The company cited lower property taxes and lower wages, in addition significant incentives available in South Carolina.

OTHER STATE AND LOCAL ASSISTANCE

The Charter Township of China is supportive of this project and plans to approve a five year property tax abatement under PA 198 of 1974. The value of this abatement is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for three years for up to 333 net new employees in excess of the company's established base of 400, including a look-back period to the date of the asset purchase or up to 90 days from the execution of the credit agreement, whichever is shorter.