

MEMORANDUM

Date: April 19, 2011
To: Michigan Economic Growth Authority
From: Joshua Hundt, Senior Project Specialist
Packaging Team
Subject: Briefing Memo – Magna Steyr L.L.C.
High Technology MEGA Credit

COMPANY NAME

Magna Steyr L.L.C.
1965 Research Drive
Troy, Michigan 48083

HISTORY OF COMPANY

Magna Steyr L.L.C. is a wholly owned division of Magna International, Inc. The company is the leading global, brand-independent vehicle engineering and manufacturing partner to automakers and is a provider of innovative solutions for future mobility. Magna Steyr offers automakers solutions for a wide range of services with highly flexible development and assembly strategies.

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 6,600 employees in the State of Michigan. Magna Steyr L.L.C. has 72 employees in Michigan all located in the City of Troy, Oakland County.

PROJECT DESCRIPTION

The proposed project is the expansion of Magna Steyr L.L.C.'s engineering and design services functions in the City of Troy, Oakland County. This expansion is related to a long-term project with a major automotive original equipment manufacturer.

The company plans to invest approximately \$765,000 and create 200 jobs over the next five years, with 158 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created

jobs is anticipated to be \$1,009. 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 377 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, would be increased by \$2.9 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company also considered various existing company facilities in Ohio, Indiana, and Ontario for this project. Magna Steyr cited Canada's corporate research & development tax credit and Ohio's tax structure as two factors causing a competitive disadvantage for Michigan. Additionally, the competing locations also offered incentives in support of this project.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy is supportive of this project and plans to approve a five year property tax abatement under PA 198 of 1974. The value of the abatement is \$14,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Product Research and Development, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for three years for up to 200 net new employees in excess of the company's established base of 82.