



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

Date: January 19, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – Magneti Marelli Holding USA, Inc
High-Technology MEGA High-Wage Credit

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COMPANY NAME

Magneti Marelli Holding USA, Inc
37483 Interchange Drive
Farmington Hills, Michigan 48335

HISTORY OF COMPANY

Magneti Marelli S.p.A is a subsidiary of Fiat Holdings headquartered in Italy. The company's North American operations are conducted by several entities: Magneti Marelli Holdings USA, Inc; Automotive Lighting; Magneti Marelli North America, Inc.; and Magneti Marelli Powertrain USA, Inc. These companies operate in Michigan, Tennessee and North Carolina. In Michigan, the company focuses on research and development, engineering and testing for the powertrain and automotive lighting divisions.

Magneti Marelli Holding USA, Inc. currently has 107 employees in Michigan.

PROJECT DESCRIPTION

Currently, the Magneti's Michigan operations are located in three different facilities throughout Oakland County. The company plans to consolidate its Michigan operations into one facility in Auburn Hills. After the consolidation, the company intends to expand its North American operations resulting in new capital investment and jobs.

Magneti Marelli Holding USA, Inc will invest approximately \$4.5 million and create 200 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,718. 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 777 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$14.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Magneti is also considering North Carolina and Tennessee for this project. The company currently owns the existing North Carolina and Tennessee facilities. A new facility in Auburn Hills would require a build-out and new lease costs, which would not be incurred at an existing facility. The company has also cited higher labor rates for highly skilled engineers in Michigan versus Tennessee. Labor rates for similar jobs in Tennessee are approximately 27% less than the average pay in Michigan. The company has also received very competitive incentive packages from competing states including similar job creation tax incentives.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills is supportive of this project and anticipates the approval of a PA 328 tax abatement. The value is not yet known at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is High Wage Activity, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years for up to 200 net new employees in excess of the company's established base of 107.