

MEMORANDUM

Date: May 19, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo -- Martinrea Industries, Inc.
Retention & Standard MEGA Credit

COMPANY NAME

Martinrea Industries, Inc.
260 Gage Street
Jonesville, MI 49250

HISTORY OF COMPANY

Martinrea Industries, Inc. develops and manufactures state of the art metal forming and fluid management systems for the automotive and industrial sectors. As a Tier 1 automotive supplier, Martinrea provides companies such as Daimler Chrysler, Ford, General Motors, Honda, and Nissan with parts, assemblies, and modules made using the latest production technology. The company currently employs over 4,400 individuals at nearly 30 facilities across North America, Mexico, and Europe.

Martinrea currently has 613 employees in Michigan.

PROJECT DESCRIPTION

For the project, Martinrea will be renovating and bringing new contracts and jobs to the former SKD facility in Jonesville, Hillsdale County. The former occupant of this facility, SKD Jonesville, received a MEGA Tax credit in connection with consolidation of work to Michigan from out-state facilities. The firm shuttered the plant and laid off all employees in November of 2008. No continuing eligibility exists on SKD's MEGA Tax Credit at Jonesville.

This project includes combining the pre-existing Jonesville business plus the production capacity and programs from the acquired locations. The consolidated business includes multiple parts within programs from Ford, General Motors, Chrysler, and Honda. This project will also include the relocation and purchase of machinery and equipment, as well as a build-out and renovation of the current facility. Business that will be brought to the facility includes metal stamping & forming, welding, and assembly work, with the final products being shipped to destinations in the U.S., Canada, and possibly Mexico.

Martinrea will invest approximately \$18.4 million, create 109 qualified new jobs and retain 104 jobs over the next five years as a result of this project. The average weekly wage for the qualified new jobs will be \$572, and the average weekly wage for the retained jobs will be \$815. 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 create a total of 368 jobs and retain a total of 361 jobs in the state by the year 2016. It is also estimated that the project would generate \$8.8 million (current dollars), as well as maintain \$9 million in state government revenues through the year 2016, net of MEGA costs, due to the retention of this facility.

BUSINESS CASE

Martinrea also considered sites in Ontario when making the decision of where to locate the acquired SKD projects and equipment. Some of the competitive disadvantages when considering locating the project at the Jonesville site were the cost of renovation due to facility disrepair, the distance from management and key customers, and higher operating costs due to wages and benefits.

OTHER STATE AND LOCAL ASSISTANCE

The Village of Jonesville is supportive of this project and anticipates approval tax abatements at their May 20, 2009 Village Council meeting. The estimated value of the real and personal property tax abatements is \$1,031,625. In addition, the Village will transfer seven Industrial Facilities Tax Exemptions, totaling almost \$25 million, from SKD to Martinrea on May 6, 2009.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a retention employment tax credit for 7 years for up to 100 percent for the 104 retained employees at the Jonesville facility and a 100 percent standard employment tax credit for 7 years for up to 109 net new employees in excess of the company's established facility base of 104 and statewide employment base of 470.