

MEMORANDUM

Date: August 17, 2010

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Metalsa Structural Products, Inc.
High-Technology MEGA Credit

COMPANY NAME

Metalsa Structural Products, Inc.
29575 Hudson Drive
Novi, Michigan 48377

HISTORY OF COMPANY

Metalsa Structural Products, Inc. (“Metalsa”), a subsidiary of Grupo Proeza, was founded in 1956 and is a global supplier of structural components in the light and commercial vehicles markets. Some of its products include chassis frames, body structural stampings and assemblies for passenger cars and light trucks, as well as side rails, and cross members for Class 5-8 commercial vehicles. The company employs over 6,300 people worldwide. In March 2010, Metalsa finalized the purchase of several facilities including the structural products business of Dana Holding Corporation.

The company currently has 9 employees in Michigan.

PROJECT DESCRIPTION

Based on their acquisition of Dana Holding Corporation, Metalsa is considering a relocation of research & development operations from Pennsylvania to a leased facility in Novi, Michigan. The facility would be a combined sales and R&D center for Metalsa, which plans to provide support for their chassis frames and side rails, as well as other potential products for other industries. The facility would require several infrastructure and equipment upgrades, including the purchase of new computers, machines, and furniture.

The company plans to invest approximately \$1.9 million and create up to 65 jobs over the next five years, with 39 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,300. 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 132 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$2.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Hopkinsville, Kentucky is also being considered for this relocation. As Metalsa currently has available space at existing facilities in Kentucky, including its US Headquarters, the company would realize a substantial savings from the elimination of lease costs that would occur in Michigan. In addition, locating in Kentucky provides added advantages by locating next to its manufacturing facilities. Kentucky also provides a lower overall tax rate. The MEGA tax credit would help to offset some of these competitive disadvantages and help to make it possible for this relocation to happen in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Novi is supportive of the project and is considering an incentive package worth up to \$8,700, including the reimbursement of the company's MEGA application fee.

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 7 year high-technology employment tax credit for. The credit percentage will be 200% for years 1-3 and 100% for years 4-7 for up to 65 net new employees in excess of the company's established base of 9.

A look-back period will be established as of June 1, 2010, or 90 days prior to the execution of the credit agreement, whichever is shorter. Employees hired after the establishment of the look-back period will count as qualified new jobs provided that they meet all the requirements outlined in the MEGA Credit Agreement.