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**MEMORANDUM**

**Date:** December 14, 2010  
**To:** Michigan Economic Growth Authority  
**From:** Joe Quick, Project Specialist  
Packaging Team  
**Subject:** Briefing Memo – Piston Automotive, L.L.C.  
Standard MEGA Credit

**COMPANY NAME**

Piston Automotive, L.L.C.  
12723 Telegraph Road  
Redford, Michigan 48239

**HISTORY OF COMPANY**

Piston Automotive, L.L.C. ("Piston") was founded in 1997 by Vincent Johnson. Its headquarters are located in Redford, Michigan and its three plants are located in Redford, Detroit and Liberty, Missouri. Piston's customers currently include Ford, General Motors, Honda, and AM General.

Piston is a tier one automotive supplier of primarily chassis and interior parts. The company assembles and sequences such parts as cooling modules, brake corners, struts and interior components (center consoles, finish panels, etc.). Additionally, the company provides Just-In-Time inventory strategies, logistics and packaging, fully integrated electronic data interchange processes and supply chain management capabilities.

The company currently has 160 employees in Michigan.

**PROJECT DESCRIPTION**

Ford Motor Company is planning to award the assembly of electric batteries for its 2012 Ford Focus all-electric vehicle to Piston Automotive, L.L.C. Piston will be the tier one supplier for upper and lower battery packs to Ford, assembling components from over forty tier two suppliers into battery modules, and then into finished battery packs, at its facility in the City of Redford, Wayne County.

In addition, Piston plans to expand their workforce and investment at the Redford facility with several other new projects related to the assembly of chassis parts, such as front end cooling modules, as awarded by Ford, General Motors, Honda, and AM General. The company also plans to expand their facility in the City of Detroit, Wayne County to address the assembly of such chassis parts as brake corners and struts as awarded by General Motors and Honda.

The company plans to invest approximately \$15 million and create 135 jobs over the next five years, with 40 jobs projected in year one (1), as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$639. 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 467 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$6,420,707 (current dollars) due to the presence of this facility.

#### **BUSINESS CASE**

Piston is currently investing in a new plant in the Louisville, Kentucky area, and expanding that facility is an option for this project. The company cites higher wage rates, facility costs, taxes and utilities as disadvantages of expanding in Michigan as opposed to Kentucky.

#### **OTHER STATE AND LOCAL ASSISTANCE**

Both the Township of Redford and the City of Detroit are considering support in the form of PA 198 tax abatements. The specifics and value of these abatements are 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 five years for up to 135 net new employees in excess of the company's established base of 160.