



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

Date: March 16, 2010
To: Michigan Economic Growth Authority
From: Amy Deprez, Manager
Packaging Team
Stacy Bowerman, Project Specialist
Packaging Team
Subject: Briefing Memo – Recaro North America, Inc.
Retention MEGA Credit

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COMPANY NAME

Recaro North America, Inc.
4120 Luella Lane
Auburn Hill, Michigan 48326

HISTORY OF COMPANY

Recaro North America, Inc. ("Recaro") designs and manufactures premium mobile seating for the automotive market including Aftermarket and Racing seats and Commercial Vehicle seats. Recaro has been manufacturing seats in Michigan for over 20 years. The company has also expanded into child safety restraint seating systems.

Recaro currently has 69 employees in Michigan.

PROJECT DESCRIPTION

Recaro currently has one facility with three assembly lines that manufacture seating systems for OEM, aftermarket and racing and commercial vehicle applications in Michigan. The child safety restraint applications that are designed in Michigan are presently being produced in China. In order to stay competitive and have a product made in the U.S.A., Recaro would like to consolidate its manufacturing operations into one location. The company is considering its existing facility in Auburn Hills, Michigan for this consolidation.

This consolidation is expected to result in the retention of 69 jobs paying an average weekly wage of \$756 as well healthcare benefits. It is expected the company will also create up to 65 jobs that are not part of this incentive package. In addition, the company anticipates the investment of approximately \$6 million over the next five years.

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 retain a total of 246 jobs in the state by the year 2014. It is also estimated that the project would maintain total state government revenues through the year 2014, net of MEGA costs, of \$4.2 million (current dollars) due to the retention of this facility.

BUSINESS CASE

Recaro is also considering relocating its existing operations as well as the child seat manufacturing operations into one location on the west coast of the United States. The company indicated that its customer base is primarily located on the west coast for its child safety restraint products. In addition, Recaro's seating components are shipped to the west coast. The MEGA tax credit will help offset logistic costs of shipping the components to Michigan for assembly and then shipping them back to its customer base on the west coast.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills is supportive of this project and will consider an extension up to five years of its existing PA 198 abatement approved in 2007. The estimated value of this abatement is not known at this time. The community will also work to expedite permitting through its Community Development Department.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 90 percent retention employment tax credit for five years for the 69 retained employees at the Auburn Hills facility.