

MEMORANDUM

Date: May 18, 2010

To: Michigan Economic Growth Authority

From: Valerie Hoag, Director
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – TK Holdings Inc.
High Technology MEGA Credit

COMPANY NAME

TK Holdings Inc.
2500 Takata Drive
Auburn Hills, Michigan 48326
www.takata.com

HISTORY OF COMPANY

TK Holdings Inc. (TKH) is a subsidiary of the Takata Corporation, a Japanese-based manufacturer of automotive safety restraint equipment (e.g. seatbelts, airbags) and other related products like steering wheels, interior trim and fabrics. The Takata Corporation is publicly traded on the Tokyo Stock Exchange. TKH is Takata's Michigan-based research & development arm, established in 1987, which focuses on the company's safety products. TKH also owns Irvin Automotive Products, which is centered on interior trim and related products. TKH's customers include major automotive manufacturers including Honda, General Motors, Chrysler, Ford, Toyota, Nissan, BMW and Subaru.

TKH currently has 537 full-time employees in Michigan.

PROJECT DESCRIPTION

TKH is currently evaluating the placement of a new servo-hydraulic crash simulation sled, which will allow the company to conduct automotive crash simulations that are now required by many of TKH's largest customers. The new sled reduces the time between tests and is technically superior to the sled currently in place at their facility. According to the company, the new investment would position the facility for future growth and diversify their customer base.

TKH plans to invest up to \$14.6 million and create up to 40 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,135. 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 78 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, would be increased by \$2.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

TKH is evaluating the placement of this investment relative to one of their existing facilities near Monterrey, Mexico. The company states that placing this project in Mexico would allow for lower labor costs and some of the real property investment could be completed at a lower cost than in Michigan. In addition, the company indicated that tax incentives and other government inducements to expand would be provided in Mexico.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills is supportive of this project and will consider approval of property tax abatements through P.A. 198 of 1974 and other appropriate incentives. Staff estimates the value of these local abatements at \$515,000 over their term.

In addition, the MEDC recommends a 6-mill State Education Tax (S.E.T.) abatement on the real property investment subject to P.A. 198 of 1974. The estimated value of the S.E.T. abatement is \$116,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing, 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 100 percent high-technology employment tax credit for 8 years for up to 40 net new employees in excess of the company's established base of 537. If the company fails to create and maintain at least 40 net new employees and invest at least \$14.6 in capital investment by the end of the fifth credit year, the remaining credit years will be forfeited.