



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: November 13, 2001
TO: Michigan Economic Growth Authority
FROM: Kathy Blake, Senior Vice President
Business Development
SUBJECT: Briefing Memo – Visteon Corporation

Janice Davidson
For
Kathy
Blake

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COMPANY NAME AND ADDRESS:

Visteon Corporation
World Headquarters
5500 Auto Club Drive
Dearborn, Michigan 48126

HISTORY OF COMPANY:

Ford Motor Company established Visteon as a wholly owned subsidiary in January 2000 and subsequently transferred to Visteon the assets and liabilities comprising Ford's automotive components and systems business. Ford completed its spin-off of Visteon on June 28, 2000. Visteon is a leading, full-service supplier that delivers consumer-driven technology solutions to automotive manufacturers worldwide and through multiple channels within the global automotive aftermarket.

PROJECT DESCRIPTION:

Visteon proposes to construct a world-class corporate headquarters and high technology research and development center in either Michigan or Ohio. This will help the company to accelerate its transition from a traditional manufacturer to a supplier of leading edge technology systems for vehicles. It will also create a single, recognizable facility that projects a more visible corporate presence within the community, promotes greater efficiency, provides state-of-the-art technical facilities, helps the company attract and retain the best people and enhances Visteon's overall competitiveness.

The company anticipates capital expenditures of up to \$316 million over the next two years and the creation of up to 475 net new jobs by 2008.

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Construction of the new facility is estimated to begin in spring and end in December of 2003. It is estimated that the building will be operational by June 2004 and that at least 75 net new jobs will be created within one year of that date. These jobs will have an average weekly wage of \$1,520 and a benefit package equal to approximately 34 percent of wages.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 808 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, would be increased by \$50.5 million (2001 dollars) due to the presence of this facility.

BUSINESS CASE:

The company looked at many possible locations for its new world headquarters operation and narrowed its choices to sites in Toledo, Ohio and Van Buren Township, Michigan. Although the company prefers a Michigan location due to the long history of being associated with Ford Motor Company and Michigan, Ohio offered many advantages to the company also. Land costs were lower in Ohio than in western Wayne County and wages are approximately five percent lower. However, the largest obstacle Michigan has to overcome is the fact that in Ohio, the company pays no corporate taxes since it is in a net operating loss situation. Also, once the company starts making a profit, the royalties' deduction allowed in Ohio will eliminate its tax liability there. It is estimated that the cost differential between Ohio and Michigan is \$34 million over the term of the incentive.

The company feels that synergies it will enjoy by having all administrative and research and development people in the same location, as well as its ability to retain more of its talented workforce that might not want to move or commute to Toledo, when added to the value of the MEGA, will help to convince its Board of Directors to locate the new headquarters operation in Michigan. Without the MEGA, the

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company would not be able to make a convincing argument for Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The Michigan Economic Development Corporation will recommend up to \$5 million for the funding of needed public road improvements adjacent to the company's site. These improvements will be evaluated by the Michigan Department of Transportation for eligibility and appropriate applications and approvals will be required.

Van Buren Township has provided an abatement of 50 percent of the real and personal property taxes for a period of 12 years. The estimated value of this abatement is \$31,177,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 475 net new jobs for a period of 13 years.