

MEMORANDUM

Date: September 14, 2010

To: Michigan Economic Growth Authority

From: Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Weber Automotive Corporation
Standard MEGA Credit

COMPANY NAME

Weber Automotive Corporation
231 Deming Way
Summerville, South Carolina 29483

HISTORY OF COMPANY

Weber Automotive, founded in 1969, is a world leader in quality and technology for power train components. The company is headquartered in Markdorf, Germany, and has one North American location, Summerville, South Carolina. Weber Automotive offers engineering, complete machining and system supply related to the following products, engine blocks, cylinder heads, crankshafts, connecting rods, transmission cases, balance shafts, oil pans, common rail main pump housings and common rails.

The company currently does not have a presence in Michigan.

PROJECT DESCRIPTION

Weber Automotive Corporation was recently awarded contracts and is making a determination where to place the work. If Michigan is the chosen site, the company will purchase and renovate a vacant 220,000 square foot facility in Auburn Hills and will purchase existing and new machinery and equipment. These investments will allow Weber to locate the manufacturing work in Auburn Hills versus the company's South Carolina facility. When the project is completed, the new facility will offer automotive OEMs a local source for high quality power train components.

The company plans to invest approximately \$24.9 million and create 280 jobs over the next five years, with 116 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$805. 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 985 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$13,344,274 (current dollars) due to the presence of this facility.

BUSINESS CASE

Alternatively, Weber Automotive Corporation is considering locating this project at its Summerville, South Carolina facility. The costs associated with the necessary expansion of the South Carolina facility are significantly less than the cost of purchasing and renovating the vacant facility in Auburn Hills. In addition, the company has stated that both wages and utility costs are higher in Michigan, with wages paid in South Carolina being significant less than Michigan. A MEGA Tax Credit would allow Weber Automotive Corporation to accommodate these business considerations.

OTHER STATE AND LOCAL ASSISTANCE

The City of Auburn Hills is considering the transfer of an existing PA 198 tax abatement through 2011, along with an anticipated extension of the abatement through 2015. The value of this abatement is unknown at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 5 years for up to 280 net new employees in excess of the company's established base of 0.