

MEMORANDUM

Date: June 15, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Josh Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo – Witzenmann USA, LLC
Standard MEGA Credit

COMPANY NAME

Witzenmann USA, LLC
220 Centerwood Drive
Warren, Michigan 48091

HISTORY OF COMPANY

Witzenmann GmbH, Pforzheim (the parent company to Witzenmann USA) is an international group of 23 companies in Europe, USA, Brazil, China, Korea and India. They are one of the world's leading manufacturers of flexible metallic components, such as metal hoses, expansion joints, metal bellows and automotive parts.

Witzenmann USA started in 1998 as a U.S. based joint venture located in Salem, New Hampshire. In 2001, Witzenmann purchased its partner's share of the venture and moved the company to Warren, Michigan. There have been two expansions in Warren in 2005 and 2008 respectively.

Witzenmann USA, LLC currently has 81 employees in Michigan.

PROJECT DESCRIPTION

Witzenmann USA, LLC will expand operations in North America, installing additional manufacturing capacity for production of automotive, construction, agriculture and heavy truck exhaust flex components and assemblies. Technology that will be installed includes state-of-the art welding of thin wall stainless steel tubing, hydro-forming, laser welding and cutting, and advanced assembly techniques. Additionally, equipment will be installed for research, product development and testing. Witzenmann USA, LLC does not have room in their existing facilities and must find a new location to increase capacity.

Witzenmann USA, LLC plans on investing approximately \$13.1 million, and creating up to 75 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$795. 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 267 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$4,558,295 (current dollars) due to the presence of this facility.

BUSINESS CASE

According to their application, Witzenmann USA, LLC evaluated the proposed investment relative to a site in Auburn, Alabama, where they identified a cost gap with a Michigan location. Some factors included in the cost gap with the Michigan location include higher lease rates in Michigan, higher wage and benefit costs in Michigan, and higher property and state income taxes in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy is supportive of this project and plans to consider property tax abatement through P.A. 198 of 1974 for up to 10 years. Staff estimates the value of this abatement to be up to \$325,354. The City of Troy intends to consider this abatement request at its earliest possible council meeting.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 75 net new employees in excess of the company's established base of 81.