



MEMORANDUM

Date: August 17, 2010

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Wolverine Assemblies, LLC
Standard MEGA Credit

COMPANY NAME

Wolverine Assemblies, LLC
30260 Oak Creek Drive
Wixom, MI 48393

HISTORY OF COMPANY

Wolverine Assemblies, LLC is a joint venture between TAG Holdings and the Sumitomo Corporation of America (SCOA) that plans to offer value-added assemblies, sub-assemblies, testing, sequencing and warehousing of various products used in the automotive, military, heavy truck, agriculture and health care markets. TAG Holdings is a holding company for several firms engaged in modular assemblies and supply chain management. SCOA is a diversified business that manufactures consumer products, provides financing activities, offers logistics services, and distributes steel.

The joint venture currently has 18 full-time employees in Michigan.

PROJECT DESCRIPTION

Wolverine Assemblies plans to establish a new operation in the City of Wixom that will perform value-added assemblies, sub-assemblies, testing, sequencing and warehousing for various products, including automotive center consoles, touch screen glass products, and battery pack assemblies, among others. This project would base these products in the United States, instead of Malaysia where they are currently sourced.

The company plans to invest approximately \$8.4 million and create 174 jobs over the next five years, with 58 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$640. 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 418 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$6.7 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company also considered sites near Toledo, Ohio and Ligonier, Indiana as potential locations for this project. Based on the review of these sites, Michigan offered a competitive disadvantage due to a higher personal income tax rate and the Michigan Business Tax, which presents the company with a unique expense in Michigan. A MEGA Tax credit would provide a direct adjustment to their MBT liability.

OTHER STATE AND LOCAL ASSISTANCE

The City of Wixom is supportive of the project and has received an application for a property tax abatement under P.A. 198 of 1974. The City anticipates reviewing the application in the next few months for consideration. The value of the potential abatement is not currently known.

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 174 net new employees in excess of the company's established base of 19.