



300 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER ASSISTANCE  
517 373 9808

WWW.MICHIGAN.ORG

**MEMORANDUM**

**DATE:** July 9, 2002  
**TO:** Michigan Economic Growth Authority  
**FROM:** Harry Whelan, Vice President  
 Global Business Development *HAW*  
**SUBJECT:** Briefing Memo – ZF Technologies, LLC  
 High Tech MEGA Application

**COMPANY NAME AND ADDRESS:**

ZF Technologies, LLC  
 7310 Turfway Road, Suite 450  
 Florence, Kentucky 41042

**HISTORY OF COMPANY:**

ZF Friedrichshafen AG (ZF), the ultimate corporate parent of ZF Technologies LLC (ZF Tech), was started in 1915 and is the world's largest independent automotive supplier for driveline and chassis technology with a workforce of 56,000 in 117 locations in 22 countries. The ZF Group is now the third largest automotive supplier in Germany and fifteenth in the world.

ZF Technologies is headquartered in Kentucky and currently operates a research and development facility in Northville Township, Michigan employing 129 and a facility in Auburn Hills employing 140. ZF Technologies will provide research and development services to design, develop and test new transmission, steering system, axle and chassis components and systems for passenger cars, commercial vehicles and off-road machinery.

**PROJECT DESCRIPTION:**

ZF Technologies needs to consolidate and expand its research and development capabilities to meet customer demand and stay ahead of its competition in new product development. The company proposes to increase employment at its current facility in Northville Township and invest \$16.4 million in a new research and development facility and \$11.4 million in new machinery and equipment.

**EXECUTIVE COMMITTEE**

GOVERNOR JOHN ENGLER  
 General Chair

MATTHEW P. CULLEN  
 Chair

General Motors

PHILIP H. POWER  
 Vice-Chair

HomeTown Communications  
 Network

FACUNDO BRAVO  
 Uni Boring Co., Inc.

JOHN W. BROWN  
 Stryker Corporation

DR. DAVID E. COLE  
 Center for  
 Automotive Research

JOANN CRARY  
 Saginaw Future Inc.

STEVEN K. HAMP  
 Henry Ford Museum &  
 Greenfield Village

HAYDEN H. HARRIS  
 EDF Ventures

DEWITT J. HENRY  
 Wayne County

PAUL HILLEGONDS  
 Detroit Renaissance

MAYOR DAVID HOLLISTER  
 City of Lansing

MICHAEL J. JANDERNOA  
 Perrigo Company

MIRGIT M. KLOHS  
 The Right Place Program

DR. IRVIN D. REID  
 Wayne State University

S. MARTIN TAYLOR  
 DTE Energy Company

PETER S. WALTERS  
 Guardian Industries  
 Corporation

RESIDENT & CEO  
 DOUG ROTHWELL

The company anticipates hiring up to 230 new employees within the first five years at an average weekly wage of \$1,325 and with a benefit package estimated at 20 percent of wages. Construction at the new facility would commence in July 2002 and be complete by January 1, 2004.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 717 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$55.7 million (2002 dollars) due to the presence of this facility.

**BUT FOR:**

ZF Technologies recently constructed a manufacturing facility in Tuscaloosa, Alabama. As part of the incentive for that project, the State of Alabama provided the company with 30 acres of free land. This free land, coupled with average wages being 10-15% lower in Alabama for engineers and a virtual tax-free environment in Alabama, is forcing the company to look at bottom line cost savings that can be enjoyed by putting this expansion in Alabama.

ZF Technologies would prefer to expand in Northville Township due to the proliferation of engineering talent in Michigan and the ease of having a single research and development operation rather than one focused on current product and one on new product development. However, a MEGA and other tax abatements and incentives are needed in order to make the bottom line cost difference easier to sell to the parent company in Germany.

**OTHER STATE AND LOCAL ASSISTANCE:**

Due to the type and level of investments being proposed, the company may be eligible for an Investment Tax Credit of up to \$184,242. The State of Michigan would provide a State Education Tax abatement of six mills to match the length of time of the local property tax abatement. The value of this abatement is estimated at \$381,923. The Michigan Economic Development Corporation would also provide the company with an Economic Development Job Training grant of \$300 for each of 230 new employees, for a total value of up to \$69,000.

Briefing Memo  
ZF Technologies  
July 9, 2002  
Page Three

It is expected that on July 9, 2002, Northville Township will adopt a 50 percent abatement of the company's new real and personal property, both for a period of six years. The estimated value of both of these local abatements is \$1,599,459.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment tax credit of 90 percent for 14 years for up to 230 net new employees.