



## MEMORANDUM

**TO:** Michigan Strategic Fund (“MSF”) Board Members

**FROM:** Trevor Friedeberg, Development Finance Analyst

**DATE:** January 23, 2013

**SUBJECT:** Approval of Michigan Business Development Request for \$5.3 million Performance-based Grant to:

Lenawee Stamping Corporation (“Applicant” or “Company”)  
1200 East Chicago Boulevard  
Tecumseh, Michigan 49286

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### **MBDP PROGRAM AND ITS GUIDELINES**

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### **SOURCE OF INFORMATION**

It is the role of the Project Management staff (“MEDC Staff”) to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF’s investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

### **HISTORY OF THE APPLICANT**

Lenawee Stamping Corporation (LSC) was incorporated on August 20, 1987 in the State of Michigan. The company produces metal stamping and welded fabrications and assemblies for automobile bodies and substructures. LSC’s major customers include Auto Alliance International located in Flat Rock, MI and Navistar with operations in Ohio, Indiana and Ontario. LSC is a 100% wholly owned subsidiary of VRL Inc., a Michigan corporation.

This project has two separate aspects to it. The first aspect will cover multiple programs to Lenawee Stamping, in Tecumseh, Michigan, over the period of 2013-2014, which include underbody parts for GM plants in Michigan and Indiana as well as welded assemblies for shipment to Faurecia and AAI in Michigan. The total job creation from this aspect of the project is projected to be 272.

Michigan Economic Development Corporation

The second aspect to this Project (location to be determined) will be the creation by VRL of a new subsidiary within the State of Michigan that will produce similar metal stampings and welded assemblies as LSC. The total job creation from this aspect of the project is projected to be 258. This portion of the project is more in flux as it relates to who will actually be hiring the jobs. There is a chance jobs will be partially or wholly created under the Applicant name versus the new subsidiary.

### **INCENTIVE HISTORY**

The Company has received two MEGA tax credits in the past. On December 13, 2011, the MEGA Board agreed to amend the company's MEGA Tax Credit (Resolution 2011-143) to increase the jobs number and consolidate the previously awarded tax credits into the 80% seven year Standard jobs tax credit. This amendment allowed the company to increase the number of qualified new jobs from 81 to 287, which captured the 78 jobs associated with the MEGA credit approved on April 20, 2010 and an additional 128 qualified new jobs expected as a result of the project under consideration at that time.

The company has agreed to forego the remainder of their existing MEGA credit, valued at \$2,106,000, if awarded the MBDP Grant.

### **PROJECT DESCRIPTION**

The Applicant plans to expand in Michigan, make investments and create jobs related to the manufacturing of automotive parts and metal stampings.

- a) The Applicant is a "Qualified Business", as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Tecumseh and a location yet to be determined. The City of Tecumseh has offered a "staff, financial, or economic commitment to the project" in the form of a tax abatement under PA 328 for 7 years, with an estimated value of \$1,316,000.
- c) The Applicant has demonstrated a need for the funding based on higher labor costs as well as competitive economic development incentive packages being offered by other states and municipalities.
- d) The Applicant plans to create 250 Qualified New Jobs above a statewide base employment level of 541. Additionally, the newly formed entity plans to create 200 new jobs at a location yet to be determined.
- e) The Applicant plans to invest \$18 million in machinery & equipment and building renovations as the Qualified Investment. The Qualified Investment is a portion of the \$31 million capital investment the Company plans to undertake as part of this project.
- f) The project meets the program guidelines as follows: the proposed project involves out-of-state competition; has a net positive return to Michigan; has the prospect of near-term job creation; and has strong links to Michigan suppliers.

### **INCENTIVE OPPORTUNITY**

This project involves the creation of 250 Qualified New Jobs by the Applicant and an additional 200 new jobs to be created by either the new subsidiary or the Applicant, depending on the final decision by VRL. The total capital investment for the project is \$30,682,381, of which \$18 million will be required as a Qualified Investment. The requested incentive amount from the MSF is \$5.3 million in the form of a performance-based grant. Please see below for more information on the recommended action.

### **RECOMMENDATIONS**

MEDC Staff recommends (the following, collectively, "Recommendation"):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.
- c) The Company sets aside the MEGA Tax Credit approved under Resolution 2011-143.