



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: June 17, 2003

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development

SUBJECT: Briefing Memo – Denso Manufacturing Michigan, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Denso Manufacturing Michigan, Inc.
One Denso Road
Battle Creek, Michigan 49015

HISTORY OF COMPANY:

Denso Manufacturing Michigan is a leader in the design and production of advanced automotive heating and cooling systems. The company was established in Battle Creek in 1984, with initial production beginning in July 1986. Denso Manufacturing Michigan is wholly owned by Denso International America, the Southfield based North American regional headquarters of Denso Corporation of Japan. Currently, Denso has over 3,800 employees in Michigan.

PROJECT DESCRIPTION:

Denso Manufacturing Michigan needs to expand their capacity in order to produce air conditioning and engine cooling modules for GM, Daimler Chrysler and Toyota. In order to facilitate the expansion, Denso will add 90,000 square feet of manufacturing space at their Battle Creek facility. The expansion is expected to generate 300 new jobs in the next two years, paying an average weekly wage of \$581. Denso Manufacturing Michigan is also considering an alternative location in the southern United States.

Total capital investment for the project would be approximately \$45 million, including \$10 million for new building costs and \$35 million for new machinery and equipment. Construction on the expansion would begin immediately, with expansion construction completed by December 2003.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 702 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$23.7 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Denso Manufacturing Michigan compared the costs of the project in Battle Creek to a southern United States location. After a comprehensive analysis, the major cost gap identified by the company was lower wage costs in the south. Denso estimates that labor costs in the south would be 10% lower, saving the company nearly \$1 million per year when fully staffed. The company would also have lower property tax costs in the south, although property tax abatements supported by Battle Creek will offset much of those costs.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Battle Creek is supporting a 50 percent abatement of the company's new real and personal property for 12 years, pending final adoption by the City of Battle Creek. The value of the abatement is estimated at ~~\$4,489,800~~. Tax abatement approval is expected to be complete by August 2003. In addition, the City of Battle Creek will provide the company 1.8 acres of land and a new road to the expanded facility. The estimated value of the land and road is ~~\$150,000~~. Battle Creek Unlimited and Kellogg Community College will also provide labor training for up to 200 new employees.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 50 percent employment tax credit for ten years, for up to 300 net new employees.