



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

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**MEMORANDUM**

**DATE:** March 16, 2004

**TO:** Michigan Economic Growth Authority

**FROM:** Kathy Blake, Senior Vice President  
Business Development

*Kathy Blake*

**SUBJECT:** Briefing Memo – Dr. Schneider Automotive Systems, Inc.  
Standard Credit

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**COMPANY NAME AND ADDRESS:**

Dr. Schneider Automotive Systems, Inc.  
27117 Pembrige Lane  
Farmington Hills, Michigan 48331

**HISTORY OF COMPANY:**

Dr. Schneider Automotive Systems was founded in 2000 and is a wholly owned subsidiary of a privately owned German company, Dr. Schneider Holding GmbH. Dr. Schneider is a world leading plastic automotive component parts manufacturer, including automotive ventilation systems, cup holders, ash trays and other plastic interior parts. Worldwide, the company employs over 1,600 individuals. Currently, the company has one associate in Michigan at a sales office in Novi.

**PROJECT DESCRIPTION:**

This project involves the first manufacturing venture in the North American market. This facility will design, engineer and produce plastic automotive components for the North American market. Initially, the facility will produce parts for Mercedes Benz and BMW, and then grow into the US market. The project would lead to the purchase of 10 acres in the City of Brighton, where the company would initially construct a 50,000 square foot manufacturing facility, which could grow to 200,000 square feet over time. The expansion is expected to generate 76 new jobs in the first year of operations and, potentially, up to 350 new jobs over the next five years. The new positions will pay an average weekly wage of \$444.



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Total capital investment for the project would be approximately \$26.5 million over seven years, including \$1.7 million in land costs, \$9.9 million for building costs, and \$14.9 million for new machinery and equipment. The project would begin construction in April, 2004, with full production starting in February, 2005.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 645 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs and adjusted for inflation, would be increased by \$22.2 million (2004 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company decision-making process, Dr. Schneider Automotive Systems compared the costs of the project in Brighton to Chatham-Kent, Ontario, Canada. After a comprehensive analysis, the major cost gaps identified by the company were salary and wage costs and taxes. The company estimates a wage differential approaching 25% due to labor cost differentials and exchange rates. Once the facility becomes fully operational, this cost differential could amount to nearly \$2 million per year. In addition, the company would have lower corporate and property taxes in Canada, including no personal property taxes.

**OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 180 production workers, or up to \$90,000. In addition, the Livingston County Michigan Works Agency will provide an additional \$40,000 in training funds for the project. The state will also provide, pending approval of local property tax abatement, a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This value of this abatement is estimated at \$196,900.



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The City of Brighton has proposed PA198 property tax abatement for this project, including 12-year abatement on new real property and a six to eight year abatement on new personal property. The estimated value of local property tax abatement is \$805,800. The abatement is expected to be finalized on April 1, 2004.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a fifteen-year employment tax credit consisting of 100 percent for the initial 10 years and 50 percent for the last five years, for up to 350 net new employees, and a five-year business activity credit of 100 percent.