



MEMORANDUM

DATE: September 11, 2002
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President Michigan Business Development
SUBJECT: Briefing Memo - Lear Asian OEM Technologies, LLC High Tech Credit

COMPANY NAME AND ADDRESS:

Lear Corporation
C/O 21557 Telegraph
Post Office Box 5008
Southfield, Michigan 48086

HISTORY OF COMPANY:

Lear Asian OEM Technologies is a new wholly owned subsidiary of Lear Corporation. Lear Corporation, founded in Detroit in 1917, is now a Fortune 150 company focusing on automotive interior systems. Lear Corporation is the fifth largest automotive supplier in the world, with over 100,000 employees in more than 300 facilities worldwide. In Michigan, the company operates roughly 30 facilities employing nearly 11,000 people. Lear Asian OEM Technologies will design and engineer automotive systems for Lear Corporation's Asian OEM customers. This facility will initially employ 120 people being transferred from another Lear facility in Dearborn.

PROJECT DESCRIPTION:

Due to winning several new contracts for upcoming Asian OEM automotive platforms to produce automotive systems, Lear Corporation needs to expand its capabilities and will create a new research and development center to focus on its Asian OEM customer base. The expansion will occur in either Louisville, Kentucky or in Plymouth, Michigan.

If the expansion occurs in Plymouth, it requires an investment of \$5.2 million in lease costs and \$1.3 million in machinery and equipment, for

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a total capital investment of \$6.5 million. Average weekly wages at the facility will be \$1530, with a benefit package totaling nearly 30% of wages. The company would move into an existing facility in January 2003, with staffing ramping up to 150 people over the next five years.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 203 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 \$3.2 million (2002 dollars) due to the presence of this facility.

BUT FOR:

The parent company, Lear Corporation, has the option of locating this expansion in an existing facility in either Plymouth or in Louisville, Kentucky. Due to the high concentration of Asian OEM manufacturing facilities in the South, the company is getting some pressure from its customers to locate the research and development facilities nearby. Wages in Kentucky average 10 percent less than in Michigan and the State of Kentucky has offered job creation tax credits that will eliminate corporate taxes in Kentucky.

Despite these pressures, the company would prefer to locate this facility in Michigan due to its past experience in being able to find highly qualified talent in Michigan. Also, the company would like to keep the 120 existing employees that will become part of this operation when established. A MEGA is needed, however, in order to somewhat even out the cost gap between Michigan and Kentucky.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at between \$65,100 and 111,300. In addition, the Michigan Economic



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Development Corporation will provide an Economic Development Job Training grant of \$300 for each of 150 new employees, for a total of \$45,000.

Plymouth Township, on September 24, will approve a 50 percent abatement of the company's new real and personal property for 7 years to match the company's lease, with a renewable option for up to 12 years. The estimated value of this local abatement is between \$416,600 and \$712,700.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a High Tech employment credit of 100 percent for ten years and a business activity credit of 100 percent for ten years for up to 150 net new jobs.