

MEMORANDUM

Date: April 20, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Joshua Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo – Magna Holdings of America, Inc.
Standard (Look-Back) MEGA Credit

COMPANY NAME

Magna Holdings of America, Inc.
600 Wilshire Drive
Troy Michigan, 48084

HISTORY OF COMPANY

Magna Holdings of America, Inc. is a wholly owned subsidiary of Magna International, Inc. (Magna). Magna is the most diversified global automotive supplier. The company designs, develops, and manufactures technologically advanced automotive systems, assemblies, modules, and components. The company engineers and assembles complete vehicles, which are primarily for the sale to original equipment manufacturers of cars and light trucks.

Magna has 238 manufacturing operations and 79 product development, engineering, and sales centers in 25 countries.

Magna and its subsidiaries currently have 4,750 employees in Michigan.

Several Magna divisions are included in the proposed project, including Magna Powertrain USA, Inc., Magna Powertrain of America, Inc., Magna Powertrain Lansing, LLC, Magna E-Car of America, Inc., Magna Services of America, Inc., and Magna Seating of America, Inc. The divisions included in the proposed project currently have 774 employees in Michigan.

PROJECT DESCRIPTION

The proposed project is a significant expansion of Magna's operations in Michigan. The proposed project will include growth in manufacturing, engineering, and product testing in Michigan. The proposed project will be an expansion of the company's Magna E-Car of America division, Magna Powertrain division, and Magna Seating of America division. The company plans to make capital investment and create new jobs related to this project in the City of Auburn Hills, City of Troy, City of Lansing, and Shelby Township. Project breakdown is as follows:

Magna E-Car of America, Inc. plans an energy storage and delivery testing facility. For this part of the project, the company plans to invest up to \$28 million and create up to 178 jobs in the City of Auburn Hills.

Magna Seating of America, Inc. plans to manufacture flexible foam products for automotive seating applications. For this part of the project, the company plans to invest up to \$2.4 million and create up to 164 new jobs in Shelby Township.

Magna Powertrain of America plans a driveline engineering facility. For this part of the project, the company plans to invest up to \$13.9 million and create up to 108 new jobs in the City of Troy.

Magna Powertrain Lansing, LLC plans to manufacture case assemblies for multiple vehicle platforms. For this part of the project, the company plans to invest up to \$4.1 million and create up to 40 new jobs in the City of Lansing.

In total for this multi-division project Magna plans to invest approximately \$49.2 million and create up to 508 jobs over the next five years. The average weekly wage for the newly created jobs will be \$669. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 1,828 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$35.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The company is considering multiple locations in Ohio, Indiana, and Canada as alternative sites for this project. The other locations have offered competing incentive offers for the proposed project. In addition to the competing incentive offers, Ohio is attractive because the state does not tax personal property and the Canadian locations are attractive because of the significant difference in the federal corporate R&D Tax Credit that is offered in Canada as opposed to the US corporate R&D Tax Credit.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy and City of Auburn Hills are supportive of this project and both of these municipalities plan to approve property tax abatements under PA 198 of 1974. The estimated values of these abatements are not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for seven years for up to 508 net new employees in excess of the company's established base of 774.

A look-back period will be established as of March 16, 2010, or 90 days prior to the execution of the Credit Agreement, whichever is shorter. Employees hired after the establishment of the look-back period will count as qualified new jobs provided that they meet all the requirements outlined in the MEGA Credit Agreement.