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MEMORANDUM

Date: November 17, 2010

To: Michigan Economic Growth Authority

From: Robert Wilson, Project Specialist
Packaging Team

Subject: Briefing Memo – Michigan Automotive Compressor, Inc.
Retention MEGA Credit

COMPANY NAME

Michigan Automotive Compressor, Inc.
2400 North Dearing Road
Parma, Michigan 49269

HISTORY OF COMPANY

Michigan Automotive Compressor, Inc. ("MACI") is a joint venture that is owned 60% by Toyota Industries Corporation (TICO) and 40% by DENSO. It was established in 1989 and production began in June of 1990. MACI manufactures automotive air conditioning compressors with magnetic clutch. The company holds the largest market share in North America in the business of automotive air conditioning compressors.

The company currently has 562 employees in Michigan.

PROJECT DESCRIPTION

MACI is considering the installation of new equipment and upgrade of existing equipment in the upcoming 2011 and 2012 operating years. The investment in this equipment is necessary for MACI to produce new part types which are being required by their customers. Without the investment, MACI will not be producing the new part types which would impact the viability of the facility ultimately forcing production outside Michigan.

Michigan Automotive Compressor, Inc. plans to invest approximately \$72 million and retain 562 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$884. 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 retain a total of 2,025 jobs in the state by the year 2016. It is also estimated that the project would maintain total state government revenues through the year 2016, net of MEGA costs, of \$37,852,634 (current dollars) due to the retention of this facility.

BUSINESS CASE

MACI is trying to upgrade their machinery and equipment to remain competitive in the market. If MACI is unable to make their proposed investment a loss of market share will occur. With a loss of market share MACI would be required to shut down the plant and the jobs would be moved to alternative sites in Georgia, Ohio, Canada, China, Germany, or Japan. The MEGA tax credit will help in part to offset the costs associated with the facility's machinery and equipment upgrade to make MACI competitive in their industry.

OTHER STATE AND LOCAL ASSISTANCE

The Village of Parma is supportive of this project and plans to consider property tax abatement through P.A. 198 of 1974 for up to 12 years. The estimated value of the abatement is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 75 percent retention employment tax credit for 5 years for the 562 retained employees at the Parma facility. The company must retain a minimum of 500 jobs at the Parma location to activate the credit. Additionally, MACI must retain at least 500 jobs each tax year in order to be eligible for the tax credit for that year.