



MEMORANDUM

DATE: August 14, 2001
TO: Michigan Economic Growth Authority
FROM: Kathleen J. Blake, Senior Vice President
Business Development
SUBJECT: Saint-Gobain Sekurit U.S.A. *JK*
Standard MEGA Credit

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COMPANY NAME AND ADDRESS:

Saint-Gobain Sekurit U.S.A.
725 Barclay Circle, Suite 215
Rochester Hills, Michigan 48307

HISTORY OF COMPANY:

Saint-Gobain Sekurit is one of the world's leading suppliers of automotive glass systems, with sales in excess of \$1.5 billion and employing 12,500 people in 22 countries. Saint-Gobain Sekurit manufactures a wide range of automotive products, including laminated and tempered glass for windshields, side glass and sunroofs. Saint-Gobain Sekurit's parent company is the Paris based Compagnie de Saint-Gobain. Saint-Gobain Sekurit U.S.A. maintains a technical sales office in Rochester Hills employing 15.

PROJECT DESCRIPTION:

Saint-Gobain Sekurit U.S.A. is ready to make its first investment in a manufacturing facility in the U.S. Sites under consideration include Shelby Township, Michigan and Madison County, Ohio. This facility would receive tempered and laminated automotive glazing (glass) and through light manufacturing operations, add value to the product, including but not limited to extrusions onto glass, light assembly and injection molding.

Phase I of the investment would occur in 2002 and includes \$7 million in machinery and equipment and the lease of a 50,000 square foot facility. Phase II would occur in 2004 and involve a doubling of the facility as well as an additional \$7 million expenditure for machinery

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and equipment. Facility leases over a five-year period total \$4.2 million.

The company anticipates creating up to 400 positions at an average weekly wage of \$623, plus a benefit package totaling up to 30 percent of wages. The jobs are scheduled to be phased-in over a five-year period.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 648 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjustment for inflation, would be increased by \$19,483,000 (2001 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Saint-Gobain Sekurit U.S.A. conducted a comprehensive analysis between Shelby Township, Michigan and Madison County, Ohio. The company had been offered a very attractive package by Ohio, including state income tax credits for job creation, property tax abatements and job training assistance. In addition, the company would pay lower wages in Ohio. Over the twelve-year period of the MEGA the total operational cost gap between Ohio and Michigan would total approximately \$18 million.

The company would like to remain in Michigan, since the principals of the U.S. operation currently reside in Michigan. The company needs to maintain a sales and administrative presence in Michigan due to the level of automotive design and engineering that occurs here, and it is easier to manage a single location than two locations 300 miles apart.

The company's future investment decisions could be impacted by the location of this facility. As sales grow, it is the company's normal practice to build a glass fabrication plant and eventually a float glass plant to support its manufacturing operations. These investments

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normally occur within a 60 mile radius of a final assembly facility and are much more capital and labor-intensive operations.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 400 new employees, totaling \$400,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$209,819.

Shelby Township has approved 50 percent property tax abatement for the project, including a five-year abatement on any new real and personal property. The estimated value of this local abatement is \$692,911.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 12 year MEGA employment credit consisting of a 100 percent credit for the initial 10 years and a 50 percent credit for the last two years. The credit will apply to up to 400 net new jobs. This recommendation provides two years of credits beyond the length of the company's lease to anchor the company in Michigan and induce future investment.