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MEMORANDUM

DATE: October 28, 1998

TO: Michigan Economic Growth Authority

FROM: Gregory Burkart, Director *GB*
International and National Business Development

SUBJECT: Briefing Memo-TruMack Assembly, LLC

COMPANY NAME:

TruMack Assembly, LLC
1820 Sunset Avenue
Lansing, Michigan 48917

HISTORY OF COMPANY:

TruMack Assembly, LLC, (TruMack) is a joint venture between Trumark, Incorporated, of Lansing, Michigan and Mackie Automotive Systems, Incorporated, of Oshawa, Ontario. The joint venture was organized to assemble a complete, driveable Class A motor home chassis, designated as Ford's F-53 Super Duty F-Series.

Trumark, Incorporated, is a certified minority-owned company and a tier one supplier of metal stampings and welded assemblies to Chrysler, Ford, and General Motors. Trumark, Incorporated, has been owned by Michael and Carlton Guthrie since 1985.

Mackie Automotive Systems is a supplier of sub-assemblies and sequenced parts, primarily for General Motors Corporation. Mackie Automotive Systems has 15 plants in North America and other countries.

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PROJECT DESCRIPTION:

TruMack Assembly, LLC, has been awarded a ten-year contract to manufacture Class A motor home chassis by Ford Motor Company. Presently this work is being completed in Monterrey, Mexico. TruMack Assembly, LLC, is considering Elkhart, Indiana or the Lynch Road Renaissance Zone site in the city of Detroit.

The TruMack Assembly, LLC, project would involve construction of a new 210,000 square foot facility on 20 acres of land. The building will be constructed by a third-party developer. Access to rail siding for outbound shipping of 5,600 rail cars annually is required.

Total investment is estimated at \$26.4 million and job creation will total 345 within four years. The average weekly wage is estimated at \$480. Annual payroll at the new facility will be approximately \$8.6 million at full production. The company's employee benefit plan will average approximately 37 percent of total payroll.

Relocation of this project from Mexico to the Detroit Renaissance Zone could potentially bring parts and sub-components currently sourced in Mexico to Michigan suppliers. A Michigan based facility may also allow Ford to expand "rolling chassis" capability into market segments beyond motor homes. Trumark, Incorporated, of Lansing would acquire significant new stamping work, requiring new expansion of its current facility and job creation.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 477 jobs in the state by the year 2019. Total state government revenues through the year 2019, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$28,868,000 (1998 dollars) due to the presence of the TruMack Assembly, LLC, facility.

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COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Elkhart, Indiana and Detroit, Michigan. Based on figures obtained from the company, the annual cost disadvantage for TruMack Assembly, LLC, to establish its manufacturing facility in Detroit, Michigan, rather than Elkhart, Indiana, is approximately \$6.5 million annually over the term of the incentive. The cost differential is primarily attributable to rail transportation, and to a lesser extent, workers' compensation, and taxes. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

The proposed site is located in the Detroit Renaissance Zone. The value of the 6-mill state education tax abated over the life of the Renaissance Zone is \$669,868. The corresponding value of the local tax abated is \$7,143,410. The value of abated Single Business Taxes over the life of the Renaissance Zone is \$90,119.

The State of Michigan will provide TruMack Assembly, LLC, with a 100 percent abatement of the 6-mill State Education Tax for a period of time to match the twelve year local property tax abatement offered by the community. The abatements extend beyond the life of the Renaissance Zone and represent an additional two years of property tax abatement. The estimated value of the 6-mill State Education Tax abatement exclusive of Renaissance Zone values is \$207,015. The estimated value of the local abatement exclusive of the Renaissance Zone values is \$1,813,719.

Economic Development Job Training funds will also be offered to the company at \$500 per employee for up to 345 net new employees for a total of \$172,500. In addition, the local community will be applying to the State of Michigan for a Renaissance Fund Grant worth up to \$750,000 for a portion of the required infrastructure.

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The Michigan Jobs Commission will also be working with the Michigan Department of Transportation to arrange for possible railroad siding assistance. Engineering for an estimated cost is in process.

BUT FOR:

Without the assistance offered by the MEGA program, TruMack Assembly, LLC, would not locate a new facility in Michigan because Ford Motor Corporation contracts with low cost producers able to meet Ford's targeted unit costs. The joint venture requires MEGA assistance to contribute to project cost savings in order to meet Ford Motor Corporation's targeted unit costs.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 345 net new jobs and a Business activity Credit (BAC) credit of 100 percent for years 8, 9 and 10. The BAC credit is structured to eliminate the SBT liability that TruMack would incur during the phase out of the Renaissance Zone.