



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: December 16, 2003
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – ZF Lemforder Corporation
Standard Credit

COMPANY NAME AND ADDRESS:

ZF Lemforder Corporation
3300 John Conley
Lapeer, Michigan 48446

HISTORY OF COMPANY:

ZF Lemforder is an automotive supplier which manufactures and assembles chassis components for the OEM's. The company is a subsidiary of German-based ZF Friedrichshafen AG, the world's largest independent automotive supplier for driveline and chassis technology. ZF Friedrichshafen was founded in 1915 and currently has a workforce of 56,000 at 117 locations in 22 countries. In total, the ZF family has nearly 400 employees in Michigan.

PROJECT DESCRIPTION:

ZF Lemforder needs to expand their operations due to additional growth in the company. Expansion in Lapeer would lead to the addition of 150,000 square feet of manufacturing space at their current site. The project would require the addition of 90 new employees, including 75 in the first year of the project. The new positions are well compensated, with an average weekly wage of \$709.

Total capital investment for the project would be approximately \$34.7 million, including \$6.1 million for site preparation and building costs and \$28.6 million for new machinery and equipment, furniture and fixtures and computers. Construction on the facility would begin in January 2004, with operations beginning in January 2005.

Alternative sites for expansion considered by ZF Lemforder include North Carolina, Kentucky and South Carolina.

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Briefing Memo
ZF Lemforder Corporation
December 16, 2003
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 219 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$8.3 million (2003 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, ZF Lemforder compared the cost of expansion in North Carolina to Lapeer. After a comprehensive analysis, the cost gaps identified by the company were mainly due to wages, infrastructure costs and incentives. Wages in North Carolina were significantly lower saving the company an estimated \$650,000 per year once the facility was fully operational. Additionally, site preparation costs in Michigan will be approximately \$750,000 compared to nothing in North Carolina, since the state will provide a ready to go site at no cost to the company. North Carolina is also offering numerous incentives to the company, including job creation tax credits, investment tax credits, property tax rebates and back-up electrical services.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 90 new employees, or up to \$45,000.

The city of Lapeer has proposed a 50 percent abatement of the company's new real and personal property taxes for 12 years. The value of the abatement is estimated at \$1,843,200. The abatement is expected to be finalized on January 19, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 10-year employment tax credit of 100 percent for the initial eight years and 50 percent for the final two years, for up to 90 net new employees.