



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: November 16, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President Michigan Business Development
SUBJECT: Briefing Memo - pgam Corporation Standard MEGA Credit

COMPANY NAME AND ADDRESS:

pgam Corporation
4120 Luella Lane
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

pgam Corporation is a tool and die facility that produces low volume manufacturing requirement tools and parts for Ford, General Motors, Bentley and Audi specialty vehicles. The company's parent, pgam advanced technologies AG of Georgsmarienhuetten, Germany, was founded in 1979, and expanded to the US in 1999. pgam Corporation's US headquarters is located in Auburn Hills, Michigan, and currently has 77 employees.

PROJECT DESCRIPTION:

Because of fierce competition in the tool and die industry, pgam Corporation has diversified its business and is aggressively pursuing new and growing markets. pgam Corporation would like to transfer additional armoring and specialty vehicle technology as well as expand US production in Michigan. This project would lead to the addition of 60,000 square feet at the existing site in Auburn Hills. Up to 117 new jobs would be created, paying average weekly wages of \$787.

The project would require a capital investment of \$15.3 million, including \$2.9 million for the building additions and \$12.4 million for new machinery and equipment.

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BENEFIT TO STATE:

According to the economic analysis done by the MEDC, we estimate that this facility will create a total of 117 jobs in the state by the year 2010. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$6.8 million (2004 dollars) due to the location of this facility.

BUT FOR:

pgam Corporation is considering locations in Auburn Hills and Lima, Ohio for this expansion. When comparing the two locations, the company estimates that wage rates in Lima are significantly lower than Auburn Hills. When this project is fully staffed, that wage differential would save the company up to \$2.6 million per year in wage and benefit costs, if the expansion were to take place in Ohio.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Auburn Hills has proposed 50 percent abatement of the company's new personal property for 8 years. The estimated value of the local property tax abatement is \$700,000. The abatement is expected to be finalized in December 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years, for up to 117 net new employees.