

CITY of NOVI CITY COUNCIL

**Agenda Item 7
September 8, 2008**

SUBJECT: Approval to agree to allocate funds up to \$20,000 of City and/or other funds for public infrastructure improvements such as drive approach, road curb-cuts, pervious asphalt, traffic signage and/or bioswale/rain garden, to be determined upon submission of final site plan as part of required local contribution for a high tech MEGA credit recently granted to MANDO American Corporation.

SUBMITTING DEPARTMENT: Neighborhood & Business Relations / Economic Development

CITY MANAGER APPROVAL:

| | |
|-------------------------------|---|
| EXPENDITURE REQUIRED | \$20,000 |
| AMOUNT BUDGETED | N/A |
| APPROPRIATION REQUIRED | \$20,000 |
| LINE ITEM NUMBER | To be determined by type of infrastructure |

BACKGROUND INFORMATION:

Formed in 1962, Mando Corporation employs over 5,000 associates worldwide and grossed over \$2.3 billion in 2007. They are one of the leading automotive parts manufacturers in the world, specializing in internationally competitive state-of-the-art chassis components and systems. Mando's research and development has succeeded in becoming the first manufacturer in Korea to develop advanced products such as Anti-Lock Brake System, Electronic Stability Program, Continuous Damping Control, and Electric Power Steering. Headquartered in Korea, the company operates 12 production plants and three research and development centers in seven countries.

The Novi location would be on Hudson Drive (West/Beck Rd.) in an 85,000 sq ft spec building. Mando's investment in Novi (property and equipment) would be valued around \$13- 14 million. It is estimated that Mando could pay between an annual total of \$200,000-\$275,000 in property tax based on size/location of their building, approximately \$67,000-68,000 of that would be the City of Novi's portion.

RECOMMENDED ACTION: Approval to agree to allocate funds up to \$20,000 of City and/or other funds for public infrastructure improvements such as drive approach, road curb-cuts, pervious asphalt, traffic signage and/or bioswale/rain garden, to be determined upon submission of final site plan as part of required local contribution for a high tech MEGA credit recently granted to MANDO American Corporation.

| | 1 | 2 | Y | N |
|--------------------------------|---|---|---|---|
| Mayor Landry | | | | |
| Mayor Pro Tem Capello | | | | |
| Council Member Crawford | | | | |
| Council Member Gatt | | | | |

| | 1 | 2 | Y | N |
|--------------------------------|---|---|---|---|
| Council Member Margolis | | | | |
| Council Member Mutch | | | | |
| Council Member Staudt | | | | |

Mando America – Background

Mando America Corp. is a North America based supplier of state-of-the-art vehicle chassis sub-systems for brake, steering, and suspension products manufactured, designed and supported by the Korean-based supplier "Mando Corporation, Halla Group".

Mando is truly a global corporation established in 1962 and doing business world-wide currently in countries such as Korea, China, North America, Australia, Europe and India. Supplier-of-year over 4 consecutive years, Mando America has reached product and process excellence for North American OEMs by flawlessly integrating and supporting many diverse steering, brake, and suspension programs.

With a focus on advanced technology and with a global "footprint" for manufacturing and engineering already established in support of the automotive industry on a global basis, Mando is well-positioned to continue its dramatic growth trend for the next decade.

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| Incorporated: | 1962 |
| No. of Employees: | 5,150 (Worldwide) |
| Sales Revenue: | \$2.9 Billion (2007, USA) |
| Products: | Brake systems, steering system, suspension system, chassis module, iron casting. |

August 2, 2008

Mr. Ara Topouzian – Economic Development Manager
45175 W. Ten Mile Road
Novi, Michigan 48375

Dear Ara:

Thank you for your and Clay's recent meetings and encouragement in behalf of Novi's support in Mando America's plan to move from our current Plymouth site to reside within the community of Novi.

As we had discussed during our meetings, we (Mando America) truly need Novi's maximum support in the process of conforming the Michigan State's "MEGA" tax credit process.

Qualifying and achieving compliance to all the elements of the requirements is my responsibility as representative for Mando America's strong desire to "remain" in Michigan.

As follows is a brief overview of the history and future desire of my organization to be an ongoing part of the community and State.

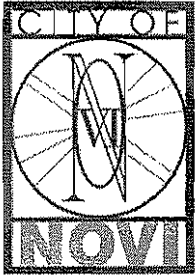
Mando Technical Center was formed in 1996 in Southeast, Michigan. In 2003, Mando America Corporation was incorporated as a successor to Mando Technical Center and is a manufacturer of brake, steering and suspension systems for the automobile and truck industries in North America. Mando Technical Center/ Mando America was originally a wholly owned subsidiary of Mando Corporation, based in Seoul South Korea. In 2008, Mando Corporation was purchased by Halla Construction and Engineering Corporation, also based in Seoul. Mando America Corporation's headquarters is in Opelika, Alabama, close to its primary manufacturing facility. Mando America Corporation supplies Korean automotive manufacturers such as Hyundai and Kia and also supplies the Big 3 domestic manufacturers and their suppliers.

Mando America is planning to expand its R&D and testing operations over the next 5 years. The company proposes to build and own a 85,000 sq ft. R&D and testing facility in the City of Novi, Oakland County. The cost of the land and building will be about \$7.5 million and personal property expenditures are estimated to be almost 10 million over the first 5 years. Mando does currently have a R&D and testing facility in the City of Plymouth that will be closed after the move. Mando is considering either a move to Novi or a location close to its US headquarters in Opelika, Alabama. If the Novi location is selected, there will be an estimated 51 jobs retained and an additional 101 new jobs added over the next 5 years., paying an average weekly wage of \$1544.

Ara, with regard to the MEGA project, I seriously need your strong voice and presence to make our "best case" within the Novi City Council so that we can jointly prosper and continue to work together within the community and area.

I feel like Mando America Corp is a great "fit" for your wonderful community and we are looking forward to a bright future working as a good citizen and partner within the outstanding community of Novi, Michigan.

Best regards,
Dr. R. L. Harkrader – Executive Director
Mando America Corporation
45901 Five Mile Rd
Plymouth, Michigan 48170



CITY COUNCIL

Mayor
David B. Landry

Mayor Pro Tem
Kim Capello

Bob Gatt

Terry K. Margolis

Andrew Mutch

Kathy Crawford

Dave Staudt

City Manager
Clay J. Pearson

City Clerk
Maryanne Cornelius

August 4, 2008

Mr. Steve Cho - VP MAC-Detroit
Dr. Ronald Harkrader, Executive Director
MANDO America Corporation
45901 Five Mile Road
Plymouth, MI 48170

Dear Ron:

It was a pleasure for Clay and me to meet you and to learn more about your desire to move MANDO's research, engineering, and sales North American headquarters to the City of Novi. We particularly benefited from hearing from you directly about MANDO's history and successes to date that bring you to this expansion need.

We are aware that you are in the process of filing an application with the State of Michigan for a MEGA Tax Credit. As part of the application process, we are aware that local government or a local economic development organization must make a financial or economic commitment to your project. In the legislation, the nature of that support is that it be agreeable to the company and the host community. I believe we have achieved that with our discussions.

Recently, Council adopted a new policy and criteria in working with the MEGA program as it pertains to local contribution (see attachment). Such local participation would ultimately need City Council approval and we cannot guarantee or speak for them. However, staff believes your project merits serious consideration and we are prepared to submit a request for the following proposal which we feel meet the requirements for your application and also will add a significant value to MANDO's bottom line.

1. Expeditious review process and inspection times.
2. Up to \$20,000 in funds allocated for public infrastructure improvements such as drive approach, road curb-cuts, pervious asphalt, traffic signage and/or bioswale/rain garden, to be determined upon submission of final site
3. Staff support and coordination of above.

Please feel free to contact me at your convenience to talk more, thank you in advance for your consideration.

Sincerely,

Ara Topouzian
Economic Development Manager

City of Novi
45175 W. Ten Mile Road
Novi, Michigan 48375
248.347.0460
248.347.0577 fax

cityofnovi.org

cc. Clay Pearson, City Manager
Pamela Antil, Assistant City Manager
David Kurtcyz, MEDC
Charles Holmes, Oakland County