



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: October 14, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
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SUBJECT: Briefing Memo – Advanced Defense Vehicle Systems Corporation
Standard MEGA Credit

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COMPANY NAME:

Advanced Defense Vehicle Systems Corporation
4590 Joslyn Road
Lake Orion, Michigan 48359

HISTORY OF COMPANY:

Advanced Defense Vehicle Systems Corporation (ADVS), which began operations in March 2007, was formed around the concept of designing, developing, and manufacturing defense vehicles as a system of variants that meets current and future requirements of the military, and are fundamentally perfect for Homeland Security, and national security markets, with such uses as personnel carriers and rescue vehicles. With the company founders' 35+ years of experience in this field, the ADVS vehicle system concept has many significant technical features that are far superior to competitor's vehicles, such as high survivability (ballistic) capability, high-powered engine performance, minimal turning circle, quick and easy maintenance, and small logistics footprints.

Currently, the company has 9 associates in Michigan.

PROJECT DESCRIPTION:

ADVS has received a large contract from the Kuwait Government to design and build vehicles and turrets. In addition, the company is obtaining new training and vehicle contracts with Kuwait that would carry the company to the middle of 2014. ADVS is also working on securing additional contracts with other potential customers and believes that the potential to do so is very good. With the secured work and pending potential work, the company needs to expand its operations in order to accommodate this growth. The company currently leases a facility in Lake Orion and would like to purchase and renovate that facility to maximize their operations. As a result of this project, the company would create an additional 223 jobs, paying an average weekly wage of \$1065 and would include a total capital investment of approximately \$5,455,000 over the next five years. The company will also offer health care benefits and pay a portion of the benefit costs.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 520 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation, would be increased by \$24 million (2008 dollars) due to the presence of this facility.

BUSINESS CASE:

Alternatively, the company is considering this expansion in the Myrtle Beach area of South Carolina. ADVS believes that South Carolina has a pro-business climate and offers grants and performance-based incentives, allowing them to keep their operating costs low. Further the company has identified real and personal property taxes, which are almost triple South Carolina's, and labor rates as disadvantages to Michigan over South Carolina.

OTHER STATE AND LOCAL ASSISTANCE:

The Charter Township of Orion supports this project and anticipates approval of a property tax abatement for up to 12 years. Approval of the tax abatement is expected to take place within 90 days of the MEGA Board meeting.

In addition, the Michigan Economic Development Corporation is supporting this project with an Economic Development Job Training (EDJT) grant of up to \$171,750 for the training of new and existing employees.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 10 years, for up to 223 net new employees.