



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

WASHINGTON SQ. ANN ARBOR, MI 48103

CUSTOMER CONTACT CENTER 7373 9808

WWW.MICHIGAN.ORG

DATE: January 17, 2006

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President Business Development

SUBJECT: Briefing Memo - Advanced Photonix, Inc. High-Technology, Look-Back MEGA Credit

COMPANY NAME AND ADDRESS:

Advanced Photonix, Inc. 1240 Avenida Acaso Camarillo, California 93012

HISTORY OF COMPANY:

Advance Photonix, Inc. (API) was founded in 1989 and is a leading supplier of opto-electronic solutions and Terahertz sensors and instrumentation to a global customer base. The markets the company serves include defense/homeland security, medical, telecom, test and measurement, industrial/commercial and automotive. API currently has operations in Camarillo, California and Dodgeville, Wisconsin, and the company recently purchased Ann Arbor based Picometrix, where there are 29 current employees.

PROJECT DESCRIPTION:

API is proposing to relocate their corporate headquarters from Camarillo, California to Ann Arbor. API is also proposing to consolidate and relocate their semiconductor microfabrication from Camarillo and Dodgeville to Ann Arbor. The relocation and consolidation would utilize existing facilities in Ann Arbor that currently house recently acquired Picometrix, now a wholly-owned subsidiary. The project would lead to the creation of 9 new jobs in the first year of the project, including the relocation of the headquarter staff, and 68 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,045.

Total capital investment for the project would be approximately \$2.2 million, including \$1.2 million for a new clean room and infrastructure improvements and \$1.0 million for new machinery and equipment, computers and pollution control equipment.

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#### **BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 105 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$2.2 million (2006 dollars) due to the presence of this facility.

#### **BUSINESS CASE:**

API also considered maintaining their corporate operations in Camarillo, California and consolidating their wafer fabrication in Dodgeville, Wisconsin. If the wafer fabrication was consolidated in Wisconsin, API would have the benefit of lower wages, lower electrical costs and lower property taxes. In addition the company would have lower capital costs as Dodgeville would not require additional clean room capacity. Maintaining the headquarters operations in California would save the company moving and relocation costs.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$23,000. In addition, API could also be eligible for new Single Business Tax Credits equal to 15% of their personal property taxes paid on industrial personal property at the site, and 100% of their personal property taxes paid on equipment used by employees transferred to Michigan. These credits could be worth \$13,000 over the next four years.

The City of Ann Arbor has proposed a 50 percent PA 198 tax abatement for the new real and personal property related to this project for five years. The estimated value of this abatement is \$103,000. Final tax abatement approval is expected by March, 2006.

#### **RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology, look-back employment tax credit for 10 years, for up to 68 net new employees. A look-back is requested due to the specialized nature of the employees being sought for this project.