



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: October 16, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance

Steve Haakenson, Program Specialist
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SUBJECT: Aernnova Engineering US, Inc.

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Last month, the MEGA Board authorized a 100 percent high tech tax employment credit for 15 years to Aernnova Engineering US, Inc. to locate a new engineering services operation and potentially a manufacturing facility in Pittsfield Township. The company expects to create approximately 450 jobs in the first five years of operations, paying an average weekly wage of \$1,234.

In the process of finalizing the MEGA credit agreement, the company expressed the belief that their wage requirement to collect the credit would be three hundred percent of federal minimum wage, as is required by the MEGA legislation. The company did not understand that the minimum average weekly wage for the project would be established based on the estimated average weekly wages provided in their MEGA Application.

Although they feel their estimates were prepared in good faith, using publicly available data sources, they do not have independent knowledge of the accuracy or reliability of these sources, nor whether they may be somewhat aggressive or conservative. Being a foreign company and new to the US market, they wish to address the relevant labor market as they find it, without any intent to undercompensate, but also without artificial pressures to overcompensate.

They also intend to make maximum use of new graduates from universities and colleges in the area, as circumstances may permit. Furthermore, 150 of the jobs to be created may be manufacturing jobs that will be at a lower pay than the engineering jobs created in the initial years of the credit. If these manufacturing jobs are created, the company's average wage will be diluted, but because of market place forces not fully understood at this time. Therefore, the company has requested a reduction in the minimum Average Weekly Wage requirement to \$1,000.

Staff recommends that the MEGA Board authorize this change in the minimum average weekly wage requirement to \$1,000 for Aernnova Engineering US, Inc.