



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

8/20/07
SAL

MEMORANDUM

DATE: September 18, 2007

TO: Michigan Economic Growth Authority

FROM: Mark Morante, Vice President
Development Finance

Steve Haakenson, Program Specialist
Development Finance

SUBJECT: Briefing Memo – Aernnova Engineering US, Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Aernnova Engineering US, Inc.
TBD (Pittsfield Township)
Ann Arbor, MI

HISTORY OF COMPANY:

Aernnova Engineering US, Inc. (Aernnova US) is a newly formed subsidiary of Aernnova Aerospace, S.A. (Aernnova SA), a Spain based global Aerostructures Company that offers a complete range of aerospace products and engineering services. The company has five business units; Engineering, Composite Parts Manufacturing, Metallic Part Manufacturing, Large Assemblies and Product Support Services. Aernnova SA has been in business since 1986 and employs approximately 3050 people in seven locations in three countries (Spain, Brazil, Mexico). In 2007 Aernnova SA booked approximately \$470 Million (US dollars) in sales revenue.

PROJECT DESCRIPTION:

Aernnova US will provide aerospace engineering services primarily to North American based aircraft manufacturers. Aernnova proposes to locate a new engineering services operation in Pittsfield Township, which will require an investment of approximately \$10 million within the first 5 years.

It is anticipated that the engineering services facility will create approximately 450 jobs in the first five years of operations. The Company may create up to 600 new jobs over the life of the credit which may or may not include a manufacturing facility. The new jobs will earn an average weekly wage of \$1,224.

Offering this incentive does not preclude discussion about future Aernnova facilities in Michigan.

600 N. WASHINGTON SQ.
ANN ARBOR, MI 48103

CUSTOMER CONTACT CENTER
17 373 9808

WWW.MICHIGAN.ORG

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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, it is estimated that this facility will create a total of 1,257 jobs in the state by the year 2022. Total state government revenues through the year 2022, net of MEGA costs and adjusted for inflation, would be increased by \$51 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

The company is also considering locating their operations to Atlanta, Georgia or Austin, Texas. Michigan's higher corporate taxes and higher wage rates puts it at a cost disadvantage compared to the competitive site in Atlanta, Georgia.

OTHER STATE AND LOCAL ASSISTANCE:

Pittsfield Township has proposed local property tax abatement under Public Act 198 of 1974 for 12 years on new personal property. This abatement has an estimated value of \$304,000.

The State will also abate 100 percent of the State Education Tax (SET) mills for the length of the local property tax abatement. The value of the SET abatement is worth up to of \$88,000 if the community approves a 12-year local abatement.

QUALIFYING HIGH TECHNOLOGY ACTIVITY:

The proposed facility is a qualified high-technology business, whose primary business activity is engineering and laboratory testing related to the development of a product, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for fifteen years, for up to 600 net new jobs.