



## MEMORANDUM

**DATE:** September 20, 2000  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Bekaert ECD Solar Systems, LLC

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### COMPANY NAME AND ADDRESS:

Bekaert ECD Solar Systems, LLC  
1100 West Maple Road  
Troy, Michigan 48084

### HISTORY OF COMPANY:

Bekaert ECD Solar Systems, LLC is a joint venture between United Solar and Bekaert Corporation. The joint venture will be 40 percent owned by United Solar and 60 percent owned by Bekaert. United Solar, a solar cell manufacturing company based in Troy, is a joint venture of ECD (Energy Conversion Devices) and Bekaert Corporation. ECD is a leader in the synthesis of new materials and the development of advanced production technology based on amorphous, disordered and related materials, with an emphasis on alternative energy and advanced information technologies. United Solar and ECD currently have 377 employees in Michigan combined. Bekaert Corporation is the U. S. subsidiary of N. V. Bekaert, the worldwide leading manufacturer of steel wire, steel wire products, steel cord and advanced coating materials. Bekaert Corporation currently has 75 Michigan employees.

### DESCRIPTION OF PROJECT:

Due to an increase in demand for its photovoltaic products, the company seeks to establish a new manufacturing plant to produce its solar electric cells, modules and packaged solar-powered systems. These systems are used for a variety of applications including village electrification, lighting, communication, water pumping, fence charging, cathode protection in oil and gas pipelines, traffic directional signals, transportation and other specialty applications. The plant output would produce enough of these cells to generate approximately 25 MW of energy per year.

The project would entail a capital investment by the company of \$12.1 million building costs (capitalized lease and leasehold improvements) and \$51.3 million in machinery and equipment, for a total of \$63.4 million. The company anticipates that up to 272 people will be employed at the facility within a five-year period. Average weekly wages are anticipated to be \$809 (\$20.22 per hour). These employees would also receive a benefit package worth approximately 20 percent of this weekly wage average. Equipment fabrication for the new facility is scheduled to begin in October 2000. The building and equipment will be operational in January 2002 and production is expected to begin in April 2002.

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

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 646 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjusted for inflation, would be increased by \$29,694,000 (2000 dollars) due to this facility.

#### **COST ANALYSIS:**

As part of the company's decision-making process, it has undertaken a comprehensive analysis between Auburn Hills, Michigan and the State of Virginia. Based on figures obtained from the company, the cost disadvantage for Bekaert ECD Solar Systems, LLC to locate this manufacturing facility in Auburn Hills rather than Virginia totals \$18 million over a 20-year period. This differential is due to the Virginia Solar Photovoltaic Manufacturing Incentive Grant Program for which this company will be eligible for its first six years of operation.

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

The state will provide job training assistance to the company in the amount of \$1,000 for up to 272 new hires, for a total of \$272,000. In addition, the state will grant the company an abatement of 100 percent of the 6-mill State Education Tax for a six-year period, estimated to be worth up to \$600,617.

The City of Auburn Hills will provide the company with an abatement of 50 percent of personal property taxes for a six-year period. The estimated value of this local abatement is \$2,057,368.

**BUT FOR:**

The company has cited several reasons for wanting to put this facility in Michigan. First, the ECD part of the partnership is headquartered in Michigan and the company's design, engineering and other manufacturing plant are located here. ECD feels that a lot of synergies can take place between all these entities if they are in close proximity. Also, this project is a result, to some degree, of a \$1 million grant that the State of Michigan provided to the company through the Michigan Manufacturing Technology Center for product testing. The State of Michigan has long been involved with this company and the company is appreciative of the state's ongoing support.

On the other hand, they must also appease their partner, Bekaert Corporation and site this facility where it makes sense from a monetary standpoint. It is very difficult, from a cost standpoint, for the company to walk away from an \$18 million grant from the State of Virginia. Since the facility in Michigan is being leased, the Michigan Economic Development Corporation did not want to extend the MEGA credit for any longer than the lease the company was willing to enter into. The company has indicated that the MEGA offer we have made them will make it much more viable to choose Michigan as its location for this facility.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 272 net new jobs for a period of 15 years and a business activity credit of 100 percent for a period of 15 years.