



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: September 14, 2004
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – Ceradyne, Incorporated
High-Technology Credit

COMPANY NAME AND ADDRESS:

Ceradyne, Inc.
3169 Redhill Avenue
Costa Mesa, California 92626

HISTORY OF COMPANY:

Ceradyne is a publicly traded corporation established in 1969 and specializing in the development and production of advanced ceramic materials. The company services the defense, industrial, automotive/diesel and health care industries. Specific divisions include Semicon Associates in Lexington, Kentucky, Thermo Materials in Scottdale, Georgia and Advanced Materials in Costa Mesa, California. Currently, Ceradyne has 1 employee in Michigan.

PROJECT DESCRIPTION:

The company is proposing to build a new research and development facility to advance future growth. The new R&D center will help the company capitalize on opportunities in the defense market, identify new products and markets and continue to diversify non-defense revenue base. To accomplish this, the company will lease a newly constructed 31,000 square foot speculative building in Wixom. The project will lead to the creation of five new jobs the first year of the project and a total of 52 jobs over five years. The new positions are well compensated, with an average weekly wage of \$850.

Total capital investment for the project would be approximately \$2.7 million, including \$1.6 million for capitalized lease costs and leasehold improvements, and \$1.1 million for new machinery, test equipment and computers.

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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 69 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$1.36 million (2004 dollars) due to the presence of this facility.

BUSINESS CASE:

In addition to Wixom, Ceradyne is also considering Lexington, Kentucky for this R&D center. Ceradyne currently has an existing facility in Lexington with available space for this project. The potential savings of using existing space could save the company nearly \$1.6 million over the life of the lease term. Kentucky also offers lower labor rates for the engineers and designers saving the company nearly \$300,000 per year once the facility is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Wixom has proposed 50 percent abatement of the company's new personal property for five years. The estimated value of the local property tax abatement is \$35,700. The abatement is expected to be finalized on September 28, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for ten years, for up to 52 net new employees and a 100 percent business activity credit for five years.