



MEMORANDUM

Date: January 18, 2011

To: Michigan Economic Growth Authority

From: Joe Quick, Project Specialist
Packaging Team

Subject: Briefing Memo – Changan US Research and Development Center, Inc.
High Technology MEGA Credit

COMPANY NAME

Changan US Research and Development Center, Inc.
47999 Halyard
Plymouth, Michigan 48170

HISTORY OF COMPANY

Changan US Research and Development Center, Inc. is 100% owned by Chongqing Changan Automobile Co., Ltd, one of the largest automakers in China. Chongqing Changan Automobile is owned by the central government of China. Changan has four major production bases across China, including 11 complete vehicle plants and 2 engine plants. It also has production bases in Asia, America, Africa and Europe, and research and development facilities in China, Italy, the United Kingdom and Japan. Working in both the passenger and commercial vehicle industries, Changan's partners include Ford, Volvo, JMC and others. The Changan US Research and Development Center, Inc. facility will be the first presence of Changan in the United States.

The company currently has no presence in Michigan.

PROJECT DESCRIPTION

The Changan US Research and Development Center will conduct testing, analysis, simulation and verification activities for the automotive industry. Changan has secured various projects in development and optimization, chassis design and validation, vehicle benchmark testing and analysis, brake performance development and various other design and development activities. The company has identified a potential site in the Charter Township of Plymouth.

The company plans to invest approximately \$7 million and create 161 jobs over the next five years, with 30 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,069. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 generate a total of 312 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$6,124,780 (current dollars) due to the presence of this facility.

BUSINESS CASE

Changan is also considering locating this work in Ohio, California and China. The company cites cost-effective facilities and lab space in Ohio, the mature technology and proximity to China of California, and the significant labor and site cost advantages of locating in China as disadvantages to locating in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The Charter Township of Plymouth has proposed a PA 198 for a period of up to 12 years on personal property in support of this project. The estimated value of the abatement is not known at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Engineering and Laboratory Testing, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for seven years for up to 161 net new employees in excess of the company's established base of 0.