



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
CONTACT CENTER
517 373 9808

WWW.MICHIGAN.ORG

MEMORANDUM

DATE: June 15, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Cobasys LLC
High Technology Credit

EXECUTIVE COMMITTEE
MATTHEW P. CULLEN
Chair
General Motors

PHILIP H. POWER
Vice Chair
HomeTown Communications
Network

DONALD E. JAKEWAY
President & CEO

RICHARD E. BLOUSE JR., CCE
Detroit Regional Chamber

FACUNDO BRAVO
Uni Boring Co., Inc.

JOHN W. BROWN
Stryker Corporation

DR. DAVID E. COLE
Center for
Automotive Research

JOANN CRARY
Saginaw Future Inc.

STEVEN K. HAMP
The Henry Ford

HAYDEN H. HARRIS
EDF Ventures

PAUL HILLEGONDS
Detroit Renaissance

DAVID HOLLISTER
Michigan Department of
Labor & Economic Growth

GEORGE JACKSON JR.
Detroit Economic Growth
Corporation

MICHAEL J. JANDERNOA
Bridge Street Capital
Partners, LLC.

MAYOR ROBERT B. JONES
City of Kalamazoo

BIRGIT M. KLOHS
The Right Place, Inc.

DR. IRVIN D. REID
Wayne State University

S. MARTIN TAYLOR
DTE Energy Company

GARY TORGOW
Sterling Group

PETER S. WALTERS
Guardian Industries Corp.

COMPANY NAME AND ADDRESS:

Cobasys LLC
1250 Maplelawn Drive
Troy, Michigan 48084

HISTORY OF COMPANY:

Cobasys, formerly known as Texaco Ovonic Battery Systems LLC, was formed in 2001 as a joint venture between subsidiaries of Energy Conversion Devices, Inc. and Texaco Inc. Cobasys designs, manufactures and sells Nickel Metal Hydride batteries and battery systems for use in the hybrid electric transportation and the stationary power industries. The company currently has 100 employees in Michigan.

PROJECT DESCRIPTION:

Cobasys is considering consolidation of three facilities currently located in Troy into a single 70,000 square foot facility in Orion Township. The facility would house the corporate headquarters and support functions, the battery systems development group, and product and process development. The company is considering lease of a speculative building currently under construction.

The company will create approximately 50 jobs in the first year of operations, and 150 by the fifth year. The jobs created would pay an average weekly wage of \$1,334. New capital investment is expected to total approximately \$1.5 million, consisting of IT hardware and software and battery testing equipment.



Cobasys LLC
Briefing Memo
June 15, 2004
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, we estimate that this facility will create a total of 122 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$3.6 million (2004 dollars) due to the location of this facility.

BUSINESS CASE:

Cobasys has a 170,000 square foot manufacturing facility in Springboro, OH. There is a 5 acre site available directly across the street from the facility, capable of supporting a comparably sized headquarters and technical center. The company compared the costs of occupancy in SE Michigan to this site, and found that leased space in Michigan will cost approximately \$85,000 more per year. The company also estimates that professional and hourly labor costs in Michigan will be up to \$1 million higher in Michigan each year.

OTHER STATE AND LOCAL ASSISTANCE:

Orion Township has proposed 50 percent abatement of the company's new personal property for 12 years. The estimated value of the local property tax abatement is \$92,000. The abatement is expected to be approved at the township's June 21, 2004 meeting.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for 10 years, for up to 150 net new employees.