



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: May 17, 2005
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – Compact Power, Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Compact Power, Inc.
1200 South Synthes Avenue
Monument, Colorado 80132

HISTORY OF COMPANY:

Compact Power, Inc. develops battery packs for electric vehicles ("EVs"), hybrid electric vehicles ("HEVs") and fuel cell vehicles ("FCVs"), and other commercial and military-aerospace applications. The company was incorporated in 2000 and is a subsidiary of LG Chemical Ltd., the largest chemical company in South Korea, and part of the family of LG companies. Compact Power is currently headquartered in Colorado, and currently has one employee in Southfield, Michigan.

PROJECT DESCRIPTION:

Compact Power is considering an expansion of its research and development capabilities in North America. The company would like to initiate a two-phase project for two major product areas: 1) lithium-ion polymer battery pack systems; and 2) lithium-ion cell technology. The project phases would include initial product research, followed by the development of an efficient, profitable and sustainable mass manufacturing process. Sites considered for this project are Monument, Colorado, home to its current research facilities and Troy, Michigan. If Troy is selected, the company would initially lease 12,000 square feet in an existing facility. The project would lead to the creation of 33 new jobs in the first year of the project and 168 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,289.

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Total capital investment for the project would be approximately \$18.1 million, including \$3.4 million for capitalized lease costs and leasehold improvements and \$14.7 million for new machinery and equipment, office furniture and computers.

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 298 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 \$7.9 million (2005 dollars) due to the presence of this facility.

BUSSINESS CASE:

In addition to Troy, Compact Power is also considering their current research and development center in Monument, Colorado for this project. A project cost comparison analysis between the locations in Michigan and Colorado showed lower wages and lease rates in Colorado compared to Michigan. Wages are estimated to be 10% lower in Colorado, while lease costs are estimated to be 13% lower in Colorado. In addition, the company estimates that in the initial years of the project, they will spend approximately \$50,000 per year on transportation costs between Colorado and Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Troy will support the resurfacing of Technology Drive. This work is expected to cost an estimated \$50,000 and approval is expected at the May 16, 2005 City Council meeting.

In addition, the City of Troy is also willing to support Next Energy personal property tax exemptions of 100 percent for investments made in 2005, 2006 and 2007. The estimated value of this exemption support is \$820,500 over the next eight years, including \$105,000 in State Education Tax exemption.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 10 years, for up to 168 net new employees.