



MEMORANDUM

DATE: January 23, 2013

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Marcia Gebarowski, Senior Development Finance Manager

SUBJECT: Approval of Michigan Business Development Request for \$1,460,000 Performance-based Grant to:

Denso Manufacturing Michigan Incorporated ("Applicant" or "Company")
One Denso Road
Battle Creek, Michigan 49037
www.densocorp-na.com

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Development Finance staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

HISTORY OF THE APPLICANT

DENSO Manufacturing Michigan, Inc. (DMMI) was founded November 1, 1984 and started production more than 25 years ago. DMMI was Denso Corporations' first manufacturing facility in North America and is a subsidiary of Denso International America, Inc. The company occupies 1.29 million square feet of manufacturing and administrative space in the Fort Custer Industrial Park in Battle Creek. DMMI produces automotive air conditioning and engine cooling components and systems, including condensers, radiators, CRFMs (condenser, radiator, fan modules), heater cores, evaporators and HVAC units. DMMI supplies the global automotive industry including Toyota, Honda, General Motors, Chrysler, Ford, Fiat, Subaru, and Mitsubishi.

Denso International America, Inc. (parent company) will be presented to the Michigan Strategic Fund Board on January 23, 2013 for a \$1,540,000 Michigan Business Development Program Grant.

Michigan Economic Development Corporation

300 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

PROJECT DESCRIPTION

The Applicant plans to expand its automotive components manufacturing operations in Michigan, make investments and create jobs related to motor vehicle parts manufacturing.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in City of Battle Creek. The City of Battle Creek has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 of 1974 for twelve years. The estimated value of this abatement is \$5.6 million.
- c) The Applicant has demonstrated a need for the funding. The Company operates thermal products manufacturing facilities in Osceola, Arkansas and Guelph, Ontario, and is constructing a new facility in Silao, Guanajuato, Mexico. Each of these facilities has significant expertise in product areas that are part of the project and each facility has the floor space to add new work.
- d) The Applicant plans to create 266 Qualified New Jobs above a project site (One Denso Road, Battle Creek MI) base employment level of 2,044.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility and is expected to involve significant investment and near-term job creation. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

INCENTIVE OPPORTUNITY

This project involves the creation of 266 Qualified New Jobs and a capital investment of up to \$105,440,764 in the City of Battle Creek. The requested incentive amount from the MSF is \$1,460,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.