



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** October 14, 2003  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Dow Corning Compound  
Semiconductor Solutions  
High-Technology Credit

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**COMPANY NAME AND ADDRESS:**

Dow Corning Compound Semiconductor Solutions L.L.C.  
2200 Salzburg Road  
Midland, Michigan 48686

**HISTORY OF COMPANY:**

For over a decade, Dow Corning has been developing technical and commercial expertise in thin film materials used in electronic applications and in the emerging compound semiconductor business. Dow Corning has acquired a silicone carbide wafer production facility in Danbury, Connecticut, and capabilities for deposition of gallium nitride and silicon carbide located at facilities in Florida and California.

These three locations have been combined into the Dow Corning Compound Semiconductor Solutions Business. This business unit will manufacture and sell compound semiconductor wafer substrates, epitaxial deposition and research and development services to meet the needs of device fabricators and users in commercial and defense markets. The applications for these products include high brightness LEDs for the next generation of lighting, blue laser diodes for the next generation of optical data storage, high power electronic switching for power management in transportation, utilities and other applications, and RF devices for communications, navigation and guidance.

**PROJECT DESCRIPTION:**

The project would combine operations from three states into a single facility in Williams Township, Michigan. The company would invest a total of \$21.7 million, including \$5 million for development of a new building and \$16.8 million for machinery and equipment. Construction of the facility would be completed by September 2004, with operations beginning in October 2004.

Briefing Memo  
Dow Corning Compound Semiconductor Solutions  
October 14, 2003  
Page Two

The project is expected to result in the creation of up to 140 jobs over the first five years with an average weekly wage of \$1,178.

**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 164 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 \$4 million (2003 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Dow Corning also has the option of locating this operation in East Fishkill, New York. The State of New York has offered Empire Zone benefits to the project, which frees the company of state tax liabilities and provides credits for job creation. Empire Zone benefits are estimated to save the company \$5 million in the first five years of operation. Additionally, labor and benefits costs in Michigan are expected to be \$1 million per year higher than in New York once the facility is fully staffed.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will offer an abatement of 100 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$697,000.

On October 28, Williams Township is expected to approve a 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of this local abatement is \$2,437,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a high-technology business activity credit of 100 percent for 10 years and a high-technology employment credit of 100 percent for 10 years for up to 140 net new employees.