



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: May 17, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Duncan Aviation, Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

Duncan Aviation, Inc.
15745 South Airport Road
Battle Creek, Michigan 49015

HISTORY OF COMPANY:

Duncan Aviation was established in 1956 and has grown into the largest family-owned business aircraft support facility in North America. Duncan Aviation services all major business aircraft including Falcons, Hawkets, Challengers, Gulfstreams, Astras, Westwinds, Citations and Learjets. The company's specialized teams provide aircraft and engine repair and maintenance, paint, interior and avionic modifications, inspections, and troubleshooting services. The company has 1,800 employees nationwide and 467 employees in Michigan at two facilities in Battle Creek and Kalamazoo.

PROJECT DESCRIPTION:

Duncan Aviation needs to expand their service capacity due to increase market share and growth in the private airplane servicing industry. The company would add an additional 120,000 square feet to their current facility in Battle Creek. The addition would include hangar, shop and support space. The project would lead to the creation of 75 new jobs in the first year of the project and a total of 380 jobs over five years. The new positions would start at an average weekly wage of \$516.

The project would require a new capital investment of \$19.5 million, including \$18.0 million for the real property additions, \$500,000 for additional land and \$1 million for new machinery and equipment. Construction would begin this summer with the new building taking 18 months to complete.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 726 jobs in the state by the year 2012. We also estimate that the project would create total state government revenues through the year 2012, net of MEGA cost and adjusted for inflation, of \$9.7 million (2005 dollars) due to the location of this facility.

BUT FOR:

In addition to the site in Battle Creek, Duncan Aviation also considered their existing facility in Lincoln, Nebraska for this expansion. The company currently has a service operation in Lincoln, as well as the company headquarters. The Lincoln site would save the company substantial capital costs because they would not need to construct additional support and back office facilities due to the existing operations in Lincoln. In addition, the State of Nebraska offers significant tax incentives including a direct refund of sales and use taxes related to this project, and job creation tax credits. These incentives will virtually eliminate all corporate and sales taxed in Nebraska related to this project.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 350 new hires, up to \$175,000. In addition, an application for a Transportation Economic Development Fund (TEDF) Grant for road infrastructure improvements from the Michigan Department of Transportation will be supported. The approximate value of this grant is \$786,900.

The City of Battle Creek approved Battle Creek Tax Increment Finance Authority (BCTIFA) funding for the construction of 142,000 feet of new ramp/apron infrastructure to support the building expansion. The estimated value of this support is \$1,125,000. The BCTIFA approved the project on April 19.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for six years, for up to 380 net new employees.