

MICHIGAN



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MEMORANDUM

DATE: November 3, 2000

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Energy Conversion Devices, Inc.

COMPANY NAME AND ADDRESS:

Energy Conversion Devices, Inc.
1675 West Maple Road
Troy, Michigan 48084

HISTORY OF COMPANY:

Energy Conversion Devices, Inc. is entering into a joint venture with Texaco Energy Systems, Inc. to develop and commercialize fuel cell and hydrogen storage technologies. Fuel cells, using clean hydrogen as a fuel, will fundamentally change the way many devices are powered in the future, from more fuel-efficient vehicles to heating and cooling systems for homes. Energy Conversion Devices currently has 305 employees in Michigan. Texaco Energy Systems does not currently have any Michigan employment.

DESCRIPTION OF PROJECT:

Energy Conversion Devices is looking for a location for its joint venture research and development center. The company is looking to site this facility in Rochester Hills, Michigan or Petersburg, Virginia, where the company has found a suitable facility. Capital investment would be \$3.85 million for the building (includes capitalized lease and leasehold improvements) and \$22.3 million in equipment, for a total of \$26.2 million. Up to 82 new jobs would be created within a 5-year period at average weekly wages of \$1,169 (\$29.22 per hour) and a benefit package worth up to 20 percent of wages.

Building renovations would begin in November 2000 and be completed by December 2000, when operations would begin

immediately. The company anticipates having up to 54 new hires in its first year of operation and up to 82 within five years.

BENEFIT TO THE STATE:

According to the economic analysis done by the Michigan Economic Development Corporation using REMI software, we estimate this facility will generate a total of 108 jobs in the state by the year 2006. Total state government revenues through the year 2006, net of MEGA costs and adjusted for inflation, would be increased by \$2,197,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Rochester Hills, Michigan and Petersburg, Virginia, where Texaco currently has facilities. Based on figures obtained from the company, the cost disadvantage for Energy Conversion Devices to locate this research and development facility in Michigan rather than Virginia amounts to approximately \$1 million annually over the term of the incentive. The total cost disadvantage to the company in the initial 6 years totaled \$6.5 million.

The most significant factors in this differential are lower wages and lease costs in Virginia. The Michigan Economic Development Corporation has reviewed these cost differentials and feel they are accurate.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Energy Conversion Devices a 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. It is estimated that the value of this abatement will be \$230,715. In addition, the state will offer job training assistance of \$1,000 each for up to 82 net new jobs, for a total of \$82,000.

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The City of Rochester Hills will be providing the company with a 50 percent abatement of personal property taxes for a period of 5 years, estimated to be worth up to \$816,803.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-tech MEGA employment credit of 100 percent for up to 82 net new jobs and a business activity credit of 100 percent, each for 6 years.