

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – GlobalWatt, Inc.
High-Technology MEGA Credit
Large Brownfield Redevelopment MBT Credit

COMPANY NAME

GlobalWatt, Inc.
2680 North First St., Suite 215
San Jose, CA 95134

HISTORY OF COMPANY

GlobalWatt, Inc. was formed in 2006 to create a vertically-integrated photovoltaic (“PV”) module manufacturing business. According to the company, existing PV manufacturing is fractured among many players, which creates inefficiencies in the production market. GlobalWatt hopes to build vertically-integrated facilities in strategic locations around the United State to create PV products that are built with U.S.-made components.

GlobalWatt’s Chairman and CEO, Sanjeev Chitre, holds multiple patents in the semiconductor industry, and was recognized by Ernst & Young as an “Entrepreneur of the Year” in 1996. GlobalWatt’s management team has experience in the photovoltaic industry, engineering, and management.

GlobalWatt, Inc. does not have any employees in Michigan.

PROJECT DESCRIPTION

GlobalWatt plans to create a fully-integrated production line in the United States that will start by assembling crystalline silicon solar panels, and expand into other photovoltaic opportunities. The first production line will focus on mono or multi-crystalline silicon solar modules and is expected to invest at least \$7.9 million in the first year to fill 100 megawatts of demand from a European client. GlobalWatt’s business model seeks to site facilities in strategic areas around the United States and create products with U.S.-made supplies.

GlobalWatt, Inc. will invest approximately \$177 million in machinery and equipment and building improvements over two phases of development at a vacant 74,000 square foot facility in the City of Saginaw. Approximately \$25 million will be invested in Phase I through 2011 to improve the building, and to purchase and install the equipment for a framing operation and the the first modular line. In addition, this phase will establish the research and development center.

Phase II will be approximately a \$92 million investment of which roughly \$80 million will be invested in machinery and equipment for a mobile systems line and one additional modular line resulting in approximately 240 megawatts of additional manufacturing capacity. Phase II would also result in the expansion of the the research and development center adding additional equipment needs and furniture and fixtures. Approximately \$10 million will be invested in leasehold improvements to reconfigure the plant to accommodate the mobile systems, the additional line and expansion of research and development.

GlobalWatt plans to create 500 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$623. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of the tax credit.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 2,768 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$54 million (current dollars) due to the presence of this facility.

BUSINESS CASE

GlobalWatt is also actively considering a location in Texas, which has a competitive tax structure for solar manufacturing operations, and no personal income tax. In addition, the location in Texas has offered a competitive economic development package including cash incentives. The MEGA tax credit, coupled with additional state and local assistance, make Michigan an attractive location for this project.

OTHER STATE AND LOCAL ASSISTANCE

The City of Saginaw is supportive of this project and has offered to extend the existing Renaissance Zone on the property for up to 15 years. A 15 year Renaissance Zone is valued at over \$13 million in property tax savings.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Alternative Energy Technology, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

BROWNFIELD MBT CREDIT REQUEST

Project Eligible Investment:	\$116,625,000
Requested Credit Amount:	\$10,000,000
Requested Credit Percentage:	12.5%

QUALIFYING CRITERIA

The project is located within the boundaries of the City of Saginaw, which is a Qualified Local Governmental Unit and has been deemed a facility as verified by the Michigan Department of Environmental Quality. The property is the subject of a Brownfield Plan, duly approved by the City of Saginaw on December 7, 2009.

KEY STATUTORY CRITERIA

- a) **Benefit to the Public:**
GlobalWatt's project would create 500 jobs in the solar manufacturing industry to the City of Saginaw. According to the company, these jobs will be made available to unskilled, semi-skilled and skilled workforce in the region. GlobalWatt serves as an original equipment manufacturer will seek to attract other companies to the area, which could create additional employment opportunities.
- b) **The extent of reuse of vacant buildings and redevelopment of blighted property:**
The company expects to reuse property located at 1200 Leon Scott in the City of Saginaw, which is currently a vacant building.
- c) **Jobs Created:**
It is anticipated that the project will create 500 jobs.
- d) **Area of High Unemployment/Core Community:**
The City of Saginaw's unadjusted unemployment rate was 20.9% in October 2009. This compares to the statewide seasonally adjusted average of 15.1% in October 2009.
- e) **The level and extent of contamination alleviated by the qualified taxpayer's eligible activities to the extent known to the qualified taxpayer:**
The site includes soil samples with absorbed arsenic that exceed MDEQ Generic Residential and Commercial I Direct Contact Criteria.
- f) **The level of private sector contribution:**
The total capital investment on the project is anticipated to be approximately \$165 million over two phases of development.
- g) **The cost gap that exists between the site and a similar greenfield site as determined by the Michigan economic growth authority:**
No Greenfield properties were considered for this project in Michigan.
- h) **If the qualified taxpayer is moving from another location in this state, whether the move will create a brownfield:**
This project will not create an additional Brownfield property.
- i) **Whether the project is financially and economically sound:**
After reviewing the financial information submitted by the company, the MEDC infers the project is financially and economically sound.
- j) **Any other criteria that the Michigan economic growth authority or the chairperson of the Michigan economic growth authority, as applicable, considers appropriate:**
Not applicable.

ELIGIBLE INVESTMENT BREAKDOWN

Phase I

Building Improvements		4,000,000
Machinery & Equipment	+	<u>21,000,000</u>
TOTAL	\$	25,000,000

Phase II

Building Improvements		10,000,000
Machinery & Equipment	+	<u>81,625,000</u>
TOTAL	\$	91,625,000

Total Eligible Investment \$ 116,625,000

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation (MEDC) recommends 200 percent high-technology employment tax credit for years one through three, followed by a 100 percent employment tax credit for years four through seven for up to 500 net new employees in excess of the company's established base of zero, subject to the following:

- The company must create and maintain at least 250 new employees by the fifth year of the credit. Failure to do so will void the remaining years of the credit.

In addition, the MEDC recommends approval of a 12.5% Large Brownfield MBT credit, not to exceed \$10,000,000 over two phases.

GlobalWatt, Inc.
Summary Estimates
(All monetary estimates in current dollars)

TOTAL JOBS CREATED (as of 2016)	2,768
Direct	500
Spin-off (includes Indirect Jobs)	2,268
NET POSITIVE STATE REVENUE IMPACT	\$54,009,456
Revenue foregone	\$4,048,544
Revenue gain	\$58,058,000
Personal income generated over life of MEGA agreement	\$753,990,000
Statewide employment multiplier (average, 2015–16)	5.45
Average Weekly Wage of Direct Jobs (as reported by the company at time of application)	\$623

GlobalWatt, Inc.
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2010	2011	2012	2013	2014	2015	2016	Total
Total Employment	269	678	1,540	2,113	2,728	2,684	2,768	
Manufacturing	71	166	358	472	586	576	575	
Non-Manufacturing	198	512	1,182	1,641	2,142	2,108	2,193	
Retail Trade	23	58	133	177	226	209	214	
Services	108	273	629	867	1,128	1,118	1,162	
Other	67	181	420	597	788	781	817	
In Current Dollars (Thousands):								
Personal Income	\$12,390	\$33,230	\$79,470	\$116,300	\$159,500	\$168,800	\$184,300	\$753,990
Gross State Revenue	954	2,559	6,119	8,955	12,282	12,998	14,191	58,058
Mega Cost	185	397	832	536	682	696	720	4,049
State Revenue Net of MEGA Cost*	\$769	\$2,162	\$5,287	\$8,419	\$11,600	\$12,302	\$13,471	\$54,009

* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.