



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 15, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Hemlock Semiconductor Corporation
High Technology Credit

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COMPANY NAME AND ADDRESS:

Hemlock Semiconductor Corporation
12334 Geddes Road
Hemlock, Michigan 48626

HISTORY OF COMPANY:

Hemlock Semiconductor Corporation (HSC) was formed as a wholly-owned subsidiary of Dow Corning Corporation in 1979, and in 1984 added partners to become a joint venture of Dow Corning Corporation and two of Japan's largest single-crystal wafer manufacturers: Shin-Etsu Handotai Company, Ltd. and Mitsubishi Materials Corporation. HSC is the leading U.S. supplier of polycrystalline silicon to the semiconductor industry. The company currently has 345 employees in Michigan. In November 2004, Hemlock Semiconductor received a 100 percent high technology employment tax credit for 10 years, for up to 60 net new employees.

PROJECT DESCRIPTION:

The company is considering an expansion of their existing polycrystalline silicon manufacturing facility in Thomas Township. This expansion is intended to exclusively serve the growing demand for solar power. The silicon produced will be used as a component of photovoltaic cells used to produce solar energy. The company anticipates a multiple phase expansion with initial capital investment of \$218 million to build and equip new manufacturing buildings. The second phase, which has not yet been authorized and will be dependent on where the first phase is located, will represent an investment of \$109 million. The company expects to create a total of 150 jobs paying an average weekly wage of \$889.

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 463 jobs in the state by the year 2022. We also estimate that the project would create total state government revenues through the year 2022, net of MEGA cost and adjusted for inflation, of \$39.1 million (2005 dollars) due to the location of this facility.

BUSINESS CASE:

The company has also considered locating the expansion in Carrolton, Kentucky. The manufacture of silicon consumes large amounts of electric power and water, and the company estimates that Michigan's high utility costs will add up to \$10.8 million in operating costs each year. Because the raw materials have to be transported by truck from Midland to the Saginaw location, there will be over \$700,000 of transportation costs per year. Infrastructure will also need to be improved at the Michigan site, and that will add approximately \$5 million the first year of construction. Because HSC would have to build a new plant in Kentucky, it will cost \$22 million less to equip the plant in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

Thomas Township and the City of Saginaw have entered into a PA 425 interlocal agreement which allows the City of Saginaw to offer 100 percent abatement of the company's taxes on personal property for 30 years. This abatement was approved on June 27, 2005. It is estimated that this incentive be worth up to \$52 million over the life of the abatement.

Thomas Township has proposed 50 percent abatement of the company's taxes on new real property for 12 years. The estimated value for this property tax abatement is \$7.9 million. The state will also abate 100 percent of the State Education Tax (SET) mills for the length of the real property tax abatement. The value of the SET abatement is worth up to of \$2.4 million if the community approves a 12-year local abatement

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for 15 years, for up to 150 net new employees.