



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

ORIGINAL

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DATE: June 19, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Development Finance

Amy Banninga, Project Team Manager
Development Finance

SUBJECT: Briefing Memo – Hitachi Automotive Products (USA), Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Hitachi Automotive Products (USA), Inc.
34500 Grand River Avenue
Farmington Hills, Michigan 48335

HISTORY OF COMPANY:

Hitachi Automotive Products (USA), Inc. (HAP) designs and manufactures components for the automotive industry. These components include control units, hybrid vehicle drives and motors, sensors, electronic throttle bodies, fuel systems, valve timing systems, steering gears and pumps, braking systems and suspension systems. HAP was founded in Harrodsburg, Kentucky in 1985 and is a fully owned subsidiary of Hitachi America, Ltd.

Hitachi started producing automotive products in Japan in 1930, and is known for customer service and continuing efforts to provide the best products and the most advanced technology. HAP and related Hitachi automotive technology businesses currently employ 361 associates in Michigan.

PROJECT DESCRIPTION:

HAP is proposing to expand their existing Farmington Hills technical center by 104,000 square feet. This expanded facility will house several Hitachi divisions which work in the automotive industry along with HAP. The company anticipates an investment of approximately \$16,000,000 in real and personal property to expand and equip their facility.

The company anticipates the creation of up to 100 new jobs over the five years following the completion of the project. Most of these positions will be engineering and design related, with an average weekly wage of \$1,436.

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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, it is estimated that this facility will generate a total of 205 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 \$4.0 million (2007 dollars) due to the presence of this facility.

BUSINESS CASE:

The Hitachi Automotive Products (USA), Inc. headquarters in Harrodsburg, KY is also under consideration for this project. Higher labor costs in Michigan will add approximately \$1.4 million to annual operation costs once the project is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Farmington Hills has approved a six year real and personal property tax abatement under PA198 of 1974. This abatement has an estimated value of \$859,000.

Additionally, the Michigan Economic Development Corporation has offered a one hundred percent abatement of the six mill State Education Tax for the term of the local property tax abatement. This will provide an estimated savings of \$248,000 over the six year term.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is engineering or laboratory testing related to the development of a product, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years, for up to 100 net new employees.