



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: September 16, 2003
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Hyundai America Technical Center, Inc.
High-Technology Credit

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COMPANY NAME AND ADDRESS:

Hyundai America Technical Center, Inc.
5075 Venture Drive
Ann Arbor, Michigan 48108

HISTORY OF COMPANY:

Hyundai America Technical Center was established in 1986 and is a wholly owned subsidiary of Hyundai Motor Company of Korea. The company conducts emissions testing, engineering, research, development and design for Hyundai and Kia automobiles. Hyundai Motor Company was established in 1967 and is South Korea's leading carmaker. Hyundai America Technical Center is currently headquartered in Pittsfield Township, Michigan, where 41 associates are currently employed.

PROJECT DESCRIPTION:

The proposed project is a relocation and expansion of the North American headquarters of Hyundai America Technical Center. The facility will also conduct research, development, design engineering and emission testing for Hyundai and Kia automobiles. The project would locate in a new 168,000 square foot expandable technical center to be constructed in Superior Township. Hyundai would add 63 new jobs in the first year of the project and 400 new jobs, in two phases, over five years, paying an average weekly wage of \$1,457. The project would include the transfer of 41 existing workers from Pittsfield Township. Hyundai is also considering Alabama, where they have an existing manufacturing facility, for this project.

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Capital investment for the project would total \$117.3 million for both phases, including \$72.0 million for land, site preparation and building costs and \$45.3 million for new machinery, test equipment and furniture and fixtures. Construction on the facility would begin this fall, with operations commencing in the spring of 2005.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 751 jobs in the state by the year 2024. Total state government revenues through the year 2024, net of MEGA costs and adjusted for inflation, would be increased by \$80.8 million (2003 dollars) due to the presence of this facility.

BUSINESS CASE:

Hyundai America Technical Center has the option of locating this expansion near its manufacturing facility in Alabama. Alabama has aggressively recruited this project offering numerous incentives, including free land and site preparation, property tax abatement, and tax credits, including the Investment Tax Credit. In addition, the company found that wage rates were about 5 percent higher in Michigan, leading to a wage differential of more than \$2 million a year when the project is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

Superior Township approved a property tax abatement on August 4, 2003, granting a 50 percent abatement of the company's new real and personal property taxes for 12 years. The estimated value of this local abatement is \$6,448,200.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology business activity credit of 100 percent for three years on up to 225 jobs; and a high-technology employment credit for up to twenty years with a credit of 100 percent for the initial ten years and 50 percent for the second ten years on the first 225 jobs created, and a credit of 100 percent for all twenty years on jobs 226 through 400. The company will not be eligible for the employment credit on jobs 226 through 400 unless it has made an investment of at least \$35 million in the project.

RESOLUTION 2003-26
MICHIGAN ECONOMIC GROWTH AUTHORITY

Hyundai America Technical Center, Incorporated

High Tech Credit

At the meeting of the Michigan Economic Growth Authority ("MEGA") Board held on September 16, 2003, in Lansing, Michigan.

WHEREAS, Hyundai America Technical Center, Incorporated, (the "Company"), proposes to construct and equip a building in Superior Township, Washtenaw County, to house its North American headquarters. At the facility, the company will research, develop, design engineering and emissions testing for the Hyundai and Kia brands, ("the Project"),

WHEREAS, the Company has applied for a Business Activity Credit and an Employment Tax Credit under the Michigan Economic Growth Authority Act, 1995 PA 24, as amended (the "Act"),

WHEREAS, in compliance with Section 8 of the Act, the MEGA Board has determined that the following statutory requirements will be met by the Company:

- (a) That the Company is a qualified high technology business within the meaning of the Act that proposes to create a minimum of 25 Qualified New Jobs by locating in Michigan.
- (b) That the Company has agreed to maintain the statutory level of Qualified New Jobs, and has agreed to maintain a level of full-time jobs equal to or greater than the number of full-time jobs it maintained in this state prior to the expansion, as determined by the Authority.
- (c) That the Company has agreed that the average wage for all Qualified New Jobs will be equal to or greater than 400% of the Federal Minimum Wage.
- (d) That the financial statements of the Company, indicate that it is financially sound and that its plans for the expansion are economically sound.

- (e) That the location of the Company in Michigan will benefit the people of Michigan by increasing employment opportunities and strengthening the economy of the state.
- (f) That the tax credits are an incentive to expand the Company in Michigan and address competitive disadvantages with sites outside of Michigan.
- (g) That a cost/benefit analysis indicates that authorizing the credits will result in an overall positive fiscal impact to Michigan.
- (h) That the Company has considered the feasibility of the reuse or redevelopment of property that was previously used for industrial or commercial purposes and determined that such reuse is not feasible.
- (i) That the Company has not begun construction or equipping of the facility.
- (j) That the local unit of government, or a local economic development corporation or similar entity will commit financial, economic, or staff support for the Company's expansion.

BE IT RESOLVED, that the MEGA Board authorizes to Hyundai America Technical Center, Incorporated an Employment Credit of 100 percent for 10 consecutive tax years beginning no later than the tax year ending December 31, 2005, for the first 225 qualified new jobs, followed by an Employment Credit of 50 percent for ten consecutive tax years, for the first 225 qualified new jobs; and an Employment Credit of 100 percent for 20 consecutive tax years beginning no later than the tax year ending December 31, 2005, for qualified new jobs 226 through 400; and a Business Activity Credit of 100 percent for three consecutive years beginning no later than the Company's tax year ending December 31, 2005.

Provided that:

- (a) The Company creates and maintains, at the Project, a minimum of five Qualified New Jobs within one year after, and 25 Qualified New Jobs within five years after, the Beginning of Operations at the Project, as that date is determined by the Chairperson.
- (b) In addition to the jobs specified in (a), the Company agrees to maintain a base employment level equal to or greater than the 43 full-time jobs it maintained in this state prior to the expansion.

- (c) The Credits are awarded for a maximum of up to 400 Qualified New Jobs.
- (d) The Qualified New Jobs pay an average weekly wage of at least \$1,457.
- (e) The Agreement makes receipt of the credit on jobs 226 through 400 contingent of the Company's investing at least \$35 million in Phase I of the project.

BE IT FURTHER RESOLVED, that the MEGA Board authorizes the MEGA staff to execute a written Agreement with the Company, in substantially the form of the standard MEGA Agreement, incorporating the terms set forth in this Resolution. If a written Agreement is not executed by the Company within 60 days of the date this Resolution is adopted, this Resolution shall have no effect. Based upon a showing of good cause, the staff of the MEGA may extend the time period for executing the written Agreement up to 30 additional days.

ADOPTED:

AYES:

NAYS:

September 16, 2003
Lansing, Michigan