



## MEMORANDUM

**DATE:** May 23, 2012

**TO:** Michigan Strategic Fund ("MSF") Board Members

**FROM:** Marcia Gebarowski, Regional Project Manager

**SUBJECT:** Approval of Michigan Business Development Request for \$2,500,000  
Performance-based Grant to:

Hyundai America Technical Center, Inc.  
6800 Geddes Road  
Superior Township, Michigan 48189  
www.hatci.com

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### MBD PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The MBDP is a 21<sup>st</sup> Century Jobs program and was created under Chapter 88r of the MSF Act. Under the MBDP guidelines, the MSF Board must approve MBDP requests over \$1 million, and requests for MBDP support of \$1 million or less may be approved by the MSF Chairperson together with either the MSF Fund Manager or the MSF State Treasurer Director. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### SOURCE OF INFORMATION

It is the role of the Project Management staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC Staff.

### HISTORY OF THE APPLICANT

Hyundai America Technical Center, Inc. ("Applicant") 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.

The Applicant plans to build a new addition to their existing facility. The new addition will contain testing space and associated mechanical and electrical rooms that will accommodate new EPA emission testing procedures.

The Applicant will continue to collect on a twenty year MEGA credit awarded in 2003 for the creation of up to 400 new jobs and a minimum investment of \$35 million.

Michigan Economic Development Corporation

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**PROJECT DESCRIPTION**

The Applicant plans to expand an existing operation in Michigan, make investments and create jobs related to the research and development of automotive components.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in Superior Township. Superior Township has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement. The abatement is anticipated to be a 12 year real property abatement. The total value of the tax abatement is estimated to be \$1.5 million. Additionally, Superior Township has created a Local Development Finance Authority (LDFA) district at the project site. The incremental tax capture collected through the LDFA will be used to pay a portion of the grant back to the MSF.
- c) The Applicant has demonstrated a need for the funding based on inadequate power supply to accommodate growth of the company. The DTE substation, built in 2005, needs to be replaced to allow for the Company to expand operations. Hyundai must pay for any improvements to the substation.
- d) The Applicant plans to create 50 Qualified New Jobs above a statewide base employment level of 141.
- e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: the company anticipates that investment and job creation will begin in the spring of 2012, and the project results in a positive ROI for Michigan.

**INCENTIVE OPPORTUNITY**

This project involves the creation of 50 Qualified New Jobs and a capital investment of up to \$15 million in the Township. The requested incentive amount from the MSF is \$2,500,000. Please see below for more information on the recommended action.

**RECOMMENDATIONS**

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.