



ORIGINAL

MEMORANDUM

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DATE: April 17, 2007  
TO: Michigan Economic Growth Authority  
FROM: James Donaldson, Vice President  
Michigan Business Development  
SUBJECT: Briefing Memo – IAV Automotive Engineering, Inc.  
High Technology

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COMPANY NAME AND ADDRESS:

IAV Automotive Engineering, Inc.  
4110 Varsity Drive  
Ann Arbor, MI 48108

HISTORY OF COMPANY:

IAV Automotive Engineering Inc. was incorporated in 1998 to enter the NAFTA market as a 100% owned subsidiary to IAV GmbH out of Berlin, Germany, which was founded in 1983. Through global affiliates, IAV employs over 2,500 staff with 67 full time employees located at their Ann Arbor facility.

IAV is one of the leading providers of engineering services to the automotive industry. Their core competencies include powertrain, electronics and vehicle development for all major automobile manufacturers and component suppliers.

Much of IAV's engineering test work is currently being completed by GmbH engineering staff at facilities in Berlin. In 2006, nearly seventy five percent of their work was completed at their Berlin facility.

PROJECT DESCRIPTION:

The company will relocate their existing engineering operation to a new facility in Northville Township that will allow for the expansion of their current operations and new service lines. This will allow for 4 new lines utilizing leading edge dynamometers and testing equipment to bring back in-house the work that is currently being completed in Berlin by their parent company's engineering staff.

The company anticipates total capital investment of \$18.2 million and the creation of up to 107 new jobs, with an average weekly wage of \$1129.

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**BENEFIT TO STATE:**

According to the economic analysis done by the MEDC utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 198 jobs in the state by the year 2019. We also estimate that the project would increase total state government revenues through the year 2019, net of MEGA cost and adjusted for inflation, of \$6,857,000 (2007 dollars) due to the location of this facility.

**BUSINESS CASE:**

The company is also considering a site in Waterloo, Ontario, Canada due to their close relationship with the University of Waterloo and the lower wage and benefits comparison between Michigan and Ontario. IAV is also having difficulty hiring qualified engineers at a competitive salary due to a shortage in that field in Michigan and the US. The company expects to receive a favorable 45 year lease from the University of Waterloo for locating in Ontario.

**OTHER STATE AND LOCAL ASSISTANCE:**

The township of Northville has proposed local property tax abatement under Public Act 198 of 1974 for 6 to 12 years for new real and personal property. This abatement has an estimated value of \$822,725 for 6 years.

**QUALIFYING HIGH TECHNOLOGY ACTIVITY:**

The proposed facility is a qualified high-technology business, whose primary business activity is advanced vehicle technology, as defined in the Act.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for twelve years, for up to 107 net new jobs.