



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** April 13, 2004

**TO:** Michigan Economic Growth Authority

**FROM:** Jim Donaldson, Vice President  
Business Development

**SUBJECT:** Briefing Memo – Infineon Technologies North America Corp.  
High-Technology Credit

**COMPANY NAME AND ADDRESS:**

Infineon Technologies North America Corp.  
1730 North First Street  
San Jose, California 95112

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**HISTORY OF COMPANY:**

Infineon Technologies North America Corp. is the principle United States subsidiary of Infineon Technologies AG. Infineon Technologies AG was founded in 1999 as a spin-off of Siemens' semiconductor activities and provides comprehensive solutions for a broad range of semiconductor products, including an Automotive and Industrial Group. In total, Infineon has 32,000 employees worldwide, with 42 currently located in Northville.

**PROJECT DESCRIPTION:**

Infineon's presence in Michigan primarily involves the Automotive and Industrial Group, as Infineon is the world's second largest provider of semiconductors for automobile systems. As this business grows, Infineon plans to relocate their Northville operations into a larger building and create 45 new jobs over the next five years, including 15 in the first year of the expansion. The new positions are highly compensated, with an average weekly wage of \$1,731.

For this project, the company plans to lease an existing building in Livonia. Total capital investment for the project would be approximately \$4.8 million, including \$4.5 million for capitalized lease costs and leasehold improvements, and \$330,000 for new machinery and equipment.

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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, we estimate this facility will generate a total of 73 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 \$705,000 (2004 dollars) due to the presence of this facility.

**BUSINESS CASE:**

In addition to Livonia, Infineon is also considering their Raleigh, North Carolina operations for this work. Infineon has a new business operations center in the Research Triangle area as well as a state-of-the-art chip manufacturing plant in Richmond. When comparing the costs of operations between Michigan and North Carolina, the company found that both lease rates and wage rates would be lower in North Carolina for this project. The company estimates that they would save over \$100,000 per year on lease costs if they located this project in North Carolina. In addition, the company feels wages rates would be nearly eight percent lower in North Carolina, saving the company nearly \$400,000 per year on wages.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Livonia has proposed PA198 property tax abatement for this project, including 10-year abatement on both new real property and personal property. The estimated value of local property tax abatement is \$136,900. The abatement is expected to be finalized in May.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 45 net new employees.