



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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Date: June 16, 2009
To: Michigan Economic Growth Authority
From: Amy Deprez, Manager
Packaging Team
Phil Santer, Project Specialist
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Subject: Briefing Memo – Johnson Technology, Inc.
Standard MEGA Credit

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COMPANY NAME

Johnson Technology, Inc.
2034 Latimer Drive
Muskegon, MI 49442

HISTORY OF COMPANY

Johnson Technology, Inc. is an aerospace manufacturer that produces jet engine components for military and commercial operations. They specialize in precision vanes, shrouds and hangers that are used in the "hot" section of the aircraft engine. Johnson Technology was formed nearly 45 years ago, but has been wholly-owned by the General Electric Company since 1997.

Johnson Technology currently has 435 employees in Michigan.

PROJECT DESCRIPTION

The proposed project will bring several new manufacturing operations to Johnson Technology's location in the City of Muskegon in Muskegon County. The center piece of the proposed project is a new high-tech plasma coating spray. This project will also bring cooling hole and vane production operations to Michigan. These operations are currently completed in facilities located outside of Michigan and will require capital investment to bring them to the Muskegon facility.

Johnson Technology will invest approximately \$15 million and create 74 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$705. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 167 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, would be increased by \$12.3 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The components of the proposed project could be produced by suppliers or competitors of Johnson Technology. For instance, the high-tech plasma spray could be produced by a competitor in Indiana. The proposed project would in-source those tasks to Johnson Technology's Muskegon facility, instead of continuing to buy them from competitors or suppliers. This will allow Johnson Technology to (a) reduce long-term payments to suppliers or competitors by bringing that production in-house, and (b) expand their breadth of activity in the aerospace engine market. Locating this project at existing facilities would take no capital investment; however, bringing this project to Michigan requires over \$15 million in initial investment. Without this credit, their decision to locate the project in Michigan would be disadvantaged.

OTHER STATE AND LOCAL ASSISTANCE

The City of Muskegon plans to support this project with personal and real property tax abatements. The City of Muskegon plans to pass a P.A. 198 of 1974 property tax abatement on their real property investment and a P.A. 328 of 1998 property tax abatement on their personal property investment. The City of Muskegon estimates their savings at \$3.8 million over 12 years. The City of Muskegon plans to approve these abatements within 90 days of MEGA Board approval.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years for up to 74 net new employees in excess of the company's established base of 452.