



## MEMORANDUM

**Date:** February 15, 2011

**To:** Michigan Economic Growth Authority

**From:** Stacy Bowerman, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – KUKA Robotics Corporation  
Retention MEGA Credit

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### COMPANY NAME

KUKA Robotics Corporation  
22500 Key Drive  
Clinton Township, Michigan 48036-1193  
[www.kukarobotics.com](http://www.kukarobotics.com)

### HISTORY OF COMPANY

KUKA Robotics Corporation (“KRC”), part of KUKA AG, was founded in 1998. KRC is a supplier of industrial robots and material handling vehicles for primarily non-automotive customers from a wide range of industries including advanced medical and entertainment. Founded in 1918, the KUKA group is comprised of three major operating groups: KUKA Robot, KUKA Systems, and KUKA Laboratories.

KRC is part of the KUKA Robot Group, a high-tech, product-oriented company offering robots for all industries and applications. The KUKA Robot Group employs approximately 2,000 people worldwide. Of these, 68 are employed in Michigan by KRC.

### PROJECT DESCRIPTION

KRC’s currently leases space from KUKA Systems for their US subsidiary headquarters. KUKA Systems is considering selling the facility due to a change in customer demand. As a result, KRC needs to relocate their existing headquarters in Clinton Township, Michigan and has identified locations in the City of Rochester Hills or the City of Auburn Hills that will meet the needs of their existing operations as well as expected future growth.

The company plans to invest approximately \$4.7 million, including \$1.5 million in lease payments, and retain 68 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs is anticipated to be \$1,640. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost. The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

### **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 retain a total of 178 jobs in the state by the year 2015. It is also estimated that the project would maintain total state government revenues through the year 2015, net of MEGA costs, of \$3.2 million (current dollars) due to the retention of this facility.

### **BUSINESS CASE**

KRC conducted an extensive site selection process when considering potential locations for this project, with Michigan and Georgia being the leading candidates. During the selection process, the company noted that the majority of their customers are not in Southeast Michigan and relocating to Georgia would reduce travel-related expenses. KRC is also exploring incentive offers from Georgia to attract its main operations. In addition, the company considered taxes, utilities and operating expenses when determining the location for this project. By offering a MEGA tax credit and local assistance as well as support offered by local organizations, we are able to offset the operational cost advantages of locating the project Georgia.

### **OTHER STATE AND LOCAL ASSISTANCE**

The City of Rochester Hills and the City of Auburn Hills are supportive of the project and the local unit at which the project is located anticipates approval of a personal property tax abatement under Public Act 198 of 1974. The estimated value of this abatement is not known at this time.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends approval of up to a 75 percent retention employment tax credit for five years for up to 68 retained employees, provided the company maintains at least 60 employees in Michigan.