


**MEMORANDUM**
**DATE:** July 12, 2000

**TO:** Michigan Economic Growth Authority

**FROM:** David Jeup, Vice President  
Global Business Development

**SUBJECT:** Briefing Memo – Nanovation Technologies of Michigan, Inc.

**COMPANY NAME AND ADDRESS:**

Nanovation Technologies of Michigan, Inc.  
47050 Five Mile Road  
Northville, Michigan 48167

**HISTORY OF COMPANY:**

Nanovation Technologies of Michigan, Inc. (Nanovation) is a wholly owned subsidiary of Nanovation Technologies, Inc. Nanovation Technologies, Inc. is dedicated to the design, development and manufacturing of integrated optic devices. Its principal products include switches, splitters, couplers, wave guides, filters and attenuators in both Silica-on-Silicon and Indium Phosphide technologies. The company currently has no employees in Michigan.

**DESCRIPTION OF PROJECT:**

Nanovation is looking for a site to develop, manufacture and distribute products. The facility will house development engineers who will bring products from the research phase to the manufacturing phase. The company is proposing to invest \$41.6 million in this enterprise, including \$9.8 million in land and building and \$31.8 million in machinery and equipment. Sites under consideration for this facility include existing buildings in Richardson, Texas and Northville, Michigan.

Rehabilitation of the building would begin in September 2000. Production would begin in June 2001. The company anticipates having 166 employees by the end of 2001 and up to 539 employees by the end of 2005. Average weekly wages would be \$914 and the company would offer a benefit package approximating 25 percent of wages.

Governor John Engler  
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### **BENEFIT TO THE STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,145 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by \$35,343,000 (2000 dollars) due to the presence of this facility.

### **COST ANALYSIS:**

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Northville, Michigan and Richardson, Texas. Based on figures obtained from the company, the cost disadvantage for Nanovation to locate this expansion in Michigan rather than Texas amounts to approximately \$635,000 annually over the term of the incentive.

The most significant factors in this differential are wages, which are approximately 2 percent lower in Texas, electrical costs, which are approximately 27 percent lower in Texas, and transportation costs, which are approximately \$400,000 per year higher in Michigan. The Michigan Economic Development Corporation has reviewed these cost differentials and feel they are accurate.

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

The State of Michigan will provide Nanovation a 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. It is estimated that the value of this abatement will be \$376,656. In addition, the state will offer job training assistance of \$1,000,000, over three program years, for up to 539 net new jobs.

The City of Northville will be providing the company with a 50 percent abatement of personal property taxes for a period of 6 years, estimated to be worth up to \$1,571,909.

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**BUT FOR:**

In order to attract this project to Michigan, the company indicated that Michigan would have to meet or exceed the offer from Texas. There are several reasons for this. First, in Texas, the company would be exempt from corporate taxes. Also, the company's customers and suppliers are all located in other parts of the United States, primarily Texas, the East Coast, or the West Coast. The company foresees a potential employee recruitment problem due to the fact that Michigan has no other semiconductor related businesses. Also, because this is a manufacturing "start-up", investors in the company are not going to allow the company to put this in a location with a major cost disadvantage. The company, however, likes Michigan and the facility it found in Northville, which can easily be retrofitted for its use.

The package of incentives being offered to the company roughly matches its cost differential. The Michigan Economic Development Corporation feels this is justified due to the factors outlined above, as well as the following. First, this company's product line will revolutionize the information technology, communications and fiber optic industries worldwide due to its technologically advanced method of information transmission. By having this company start production, grow and prosper in Michigan, it will put Michigan "on the map" for suppliers to Nanovation, as well as other semiconductor related businesses that otherwise would not consider Michigan as a location. This project will help to diversify Michigan's economy and will help us to achieve a major objective of growing high tech companies in the state.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 539 net new jobs for a period of eleven years and a business activity credit of 100 percent for a period of eleven years.