



MEMORANDUM

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DATE: May 20, 2008  
TO: Michigan Economic Growth Authority  
FROM: Val Hoag, Director  
Portfolio Management & Packaging *WPH*

Amy Deprez, Project Manager  
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Raval USA, Inc.  
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Raval USA, Inc.  
1939 Northfield Drive  
Rochester Hills, Michigan 48309

HISTORY OF COMPANY:

Raval USA, Inc., whose Israeli parent company is Raval ACS Ltd., is a design, development and manufacturing company. Raval's primary products are vapor valves that are used on various vehicle fuel tanks to control the fill quality and venting of the fuel tank to the charcoal canister. Raval ACS was established in 2000 with VW as their first customer. In 2002, Raval Luxembourg was added to increase capacity and provide a manufacturing site within the European market. In September 2007, Raval China opened. Raval USA will allow for the company to have a North American presence. Since the initial product was sold in 2002, Raval has captured over 50% of the European vapor valve market.

Currently the company has a small sales office in Southfield and employs 5 associates in Michigan.

PROJECT DESCRIPTION:

Raval plans to establish their design, development and manufacturing site in Rochester Hills. The company expects to create 65 new jobs during the first 5 years of operations, paying an average weekly wage of \$970 and investing a total of almost \$7 million over the next 5 years to support the company's growth efforts.

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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, it is estimated that this facility will generate a total of 234 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjusted for inflation, would be increased by \$6.5 million (2008 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Alternatively the company is considering a location in Clinton, Tennessee. The company has identified approximately a 28% cost differential between wages in Tennessee and Michigan overall. Additionally, lease rates, utilities (mainly water and sewer rates), and taxes were higher and together with labor costs accounted for a \$4.3 million gap.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Rochester Hills supports this expansion and anticipates approval of a property tax abatement for 8 years under PA198 of 1974. Approval of the tax abatement is expected to take place on May 19, 2008 and is valued at \$184,862.

**QUALIFYING HIGH-TECHNOLOGY ACTIVITY:**

The company is a qualified high-technology business, whose primary business activity is advanced automotive, manufacturing and materials technology, as defined in the Act.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for ten years, for up to 65 net new employees.