

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Robert Wilson, Project Specialist
Packaging Team

Subject: Briefing Memo – Roush Cleantech, LLC
High Technology MEGA Credit

COMPANY NAME

Roush Cleantech, LLC
39555 Schoolcraft Road
Plymouth Township, Michigan 48170

HISTORY OF COMPANY

Roush Enterprises, Inc., the parent company of Roush Cleantech, LLC, was founded in 1976. Roush Enterprises, Inc.'s holdings include Roush Industries, Inc., Roush Fenway Racing, Roush Performance, Roush Manufacturing, and Roush Life Sciences. These businesses are engaged in engineering, product development, manufacturing, motorsports marketing, and the development and sale of products for the automotive aftermarket and life science industries. Industries served by the company include automotive, defense, aerospace, consumer products, and entertainment. Roush Enterprise Inc. has 34 facilities in Michigan, North Carolina, Florida, New Hampshire, Minnesota, Nevada, Oregon, and Colorado.

Roush Cleantech, LLC was created to research and develop alternative engine fuel solutions.

Roush Enterprises, Inc. and its related companies currently have 1275 employees in Michigan.

PROJECT DESCRIPTION

Roush Cleantech, LLC has been created to develop, through research and development, alternative engine fuel solutions to fleet vehicle operators. It will utilize its parent company's unique access to Ford-based power train technologies to develop alternative engine fuel applications including but not limited to Liquid Propane Gas (Autogas). Roush Cleantech, LLC will deliver alternative fuel solutions that will reduce fleet operating and maintenance costs, feature an aggressive ROI, reduce the carbon footprint and lessen dependence on foreign oil.

The company plans to invest approximately \$2.1 million and create 54 jobs over the next five years, with 21 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,157. 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 generate a total of 85 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$1.1 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Roush Cleantech, LLC evaluated the proposed investment relative to a site in Texas where they identified a cost gap consisting of a more friendly tax structure in Texas, established propane infrastructure in Texas, and incentives for clean fleets and Alternative Fuel Grants offered by the State of Texas. The MEGA tax credit will help in part to offset the disadvantages associated with a Rochester Hills, Michigan location.

OTHER STATE AND LOCAL ASSISTANCE

Plymouth Charter Township is supportive of this project and plans to consider property tax abatement through P.A. 198 of 1974 for up to 12 years. The value of this incentive is not known at this time.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Advanced Vehicles Technology, as defined in the Act.

The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 7 year high-technology employment tax credit for this project. The credit percentage will be 200% for years 1-3 and 100% for years 4-7 for up to 54 net new employees in excess of the company's established base of 1275.