



MEMORANDUM

Date: December 13, 2011

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Regional Project Manager
Packaging Team

Subject: Briefing Memo – Townsend Energy Solutions, LLC
High Technology MEGA Credit

COMPANY NAME

Townsend Energy Solutions, LLC
11311 McCormick Road, Suite 470
Hunt Valley, Maryland 21031

HISTORY OF COMPANY

Townsend Energy Solutions, LLC (TES) is a wholly-owned subsidiary of Townsend Ventures, LLC (TV). TV was established in 2007 to invest in emerging technologies that focus on the energy sector. TV has invested in oil and gas explorations, commercial lighting control companies and multiple advanced battery companies including Dow Kokam. Prior to forming TV, the two partners, David and Dennis Townsend, formed and operated a successful equity investment firm, Townsend Capital. Established in 1975, Townsend Capital focused on acquisition and development of real estate and highly technical operating companies.

Townsend Energy Solutions currently has 9 employees in Michigan.

PROJECT DESCRIPTION

TES proposes to locate advanced manufacturing operations of technologies and products related to energy efficiency for use in advanced fuel efficient vehicles, smart grid management applications and power electronics industry. The proposed site for this project is the former Ford Wixom Assembly facility in the City of Wixom. TES is currently in negotiations with Ford Land to purchase or lease a portion of the site. TES plans to redevelop some of the existing facilities as well as construct new manufacturing facilities as determined by production requirements.

The company plans to invest approximately \$237 million, none of which are lease costs, and create up to 875 jobs over the next five years, with 36 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$651. 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.

Michigan Economic Development Corporation

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 5,331 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, would be increased by \$37,371,193 (current dollars) due to the presence of this facility.

BUSINESS CASE

Without incentives, the cost of goods produced at the project site will not be competitively priced to enter the market. TES is also considering Missouri and Vermont in which to locate manufacturing operations in one or both states.

OTHER STATE AND LOCAL ASSISTANCE

The project site has a special redevelopment Renaissance Zone available for a project like the one proposed by TES. The City of Wixom will consider an application for this designation on behalf of this project.

The project site is located in a qualified brownfield plan and the company may request Ford to assign a portion of a brownfield MBT credit based on the qualified capital investment related to the project.

Additionally, MEDC staff will recommend the approval of a Battery Manufacturing Credit related to this project of up to \$50 million pending Legislative amendment to the authorizing Act.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is currently a qualified high-technology business, whose primary business activity is Advanced Automotive, Manufacturing and Materials technology, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 200 percent high technology employment tax credit for years one through three and a 100 percent tax credit for years four through seven for up to 875 net new employees in excess of the company's established base of 9. This recommendation is contingent upon the following:

- The Company must create and maintain at least 500 new jobs by the end of 2015 and 750 qualified new jobs by the end of 2016, failure to do so will result in the forfeiture of years six and seven of the credit.