



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: April 12, 2005
TO: Michigan Economic Growth Authority
FROM: Kathy Blake, Senior Vice President
Business Development
SUBJECT: Briefing Memo – Toyota Technical Center, U.S.A., Inc.
Standard Look-Back Credit

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COMPANY NAME AND ADDRESS:

Toyota Technical Center, U.S.A., Inc.
1555 Woodridge Avenue
Ann Arbor, Michigan 48105

HISTORY OF COMPANY:

Toyota Technical Center (TTC) conducts research and development activities for its parent, Toyota Motor Corporation. TTC's primary activities include vehicle development, evaluation and advanced technical research. TTC's major projects include development of the next generation of Toyota vehicles, research into alternative energy sources and applications, new materials development and testing, vehicle comfort evaluation, and customer satisfaction evaluation. TTC currently has 505 employees in Michigan.

Toyota Motor Corporation is one of the world's leading automakers. Together with its subsidiaries, Toyota Motor Corporation produces a full range of offerings from mini-vehicles to large trucks. Toyota Motor Corporation is headquartered in Japan, has manufacturing operations in 26 countries, and sells vehicles in more than 160 countries.

PROJECT DESCRIPTION:

TTC plans to develop a world-class research and development facility, which will provide greater engineering capacity to meet the increasing needs of North American consumers. TTC proposes to re-develop a parcel of real property currently owned by the State of Michigan, which was formerly known as the Ypsilanti Psychiatric Hospital, located in York Township, Washtenaw County. This project will reuse and redevelop a brownfield site, resulting in the remediation of an environmentally contaminated facility.

The project will require an investment of approximately \$150 million, and will employ up to 400 new full-time associates. These positions will pay an average of \$1,558 per week.



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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 677 jobs in the state by the year 2028. We also estimate that the project would create total state government revenues through the year 2028, net of MEGA cost and adjusted for inflation, of \$60 million (2005 dollars) due to the location of this facility.

BUT FOR:

Toyota has considered sites in several other Midwestern and southern states. Analysis of these sites shows that wages are approximately 10 percent lower than in Michigan. These additional payroll costs, as well as lower property taxes, make the cost of operations approximately \$7 million higher per year in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$3.4 million.

York Township has proposed 50 percent abatement of the company's new real and new personal property taxes for 12 years. The abatement is expected to be approved in May, 2005. The estimated value of the local property tax abatement is \$10.8 million.

The company also plans to apply for Brownfield Redevelopment credits and tax increment financing when detailed plans and environmental assessments of the site are complete.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent look back employment tax credit for twenty years, and a 100 percent look back business activity credit for up to 400 net new employees.