



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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Date: November 17, 2009

To: Michigan Economic Growth Authority Board

From: Amy Deprez, Manager
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Subject: Briefing Memo – Akebono Engineering Center
High-Technology MEGA Credit

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COMPANY NAME

Akebono Corporation (North America) d/b/a Akebono Engineering Center
34385 West 12 Mile Road
Farmington Hills, Michigan 48331

HISTORY OF COMPANY

The Akebono Engineering Center is a subsidiary of Akebono Brake Industries Co., Ltd., an 80 year-old brake manufacturer that serves the automotive, motorcycle, and rail transportation markets (including the Shinkansen "Bullet Train" in Japan). Akebono also produces products for wind turbines and views this as an important area for the growth of their company. The Akebono Engineering Center, based in Farmington Hills, provides research, development, and engineering services. Akebono's North American headquarters is in Kentucky.

Akebono currently has 114 full-time employees in Michigan.

PROJECT DESCRIPTION

Akebono is acquiring brake and corner module business from Bosch, which will require additional engineering services. Akebono Engineering Center will handle the increased work due to the acquisition using their existing engineers, while adding additional employees to provide new capabilities. The new work will attempt to reduce Noise, Vibration and Harshness (NVH) concerns currently found in braking mechanisms. The project will increase the company's laboratory space and add additional testing equipment for the activities to be conducted at its Farmington Hills facility. The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

The Akebono Engineering Center has demonstrated that over 10 percent of its operating expenses have been utilized for research & development in the previous two years.

Akebono will invest approximately \$28 million and create 118 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,523. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 279 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by nearly \$4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

In 2006, Akebono moved its North American headquarters from Farmington Hills, Michigan to Elizabethtown, Kentucky in a competitive bidding process. Akebono's location in Kentucky has the necessary space available to incorporate this expansion, and they could locate their engineering services next to their headquarters. The company indicated that Michigan's wage structure is higher than that of competing locations.

The MEGA tax credit will provide Akebono with a reduction in the marginal cost of their employees in Michigan, relative to another location. The MEGA tax credit would serve as a platform for Akebono's continued growth in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Farmington Hills is supportive of this project and anticipates approval of a real and personal property tax abatement under Public Act 198 of 1974 for 8 years. The property tax abatement is estimated at \$476,000.

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 MCL 125.2088a.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for five years for up to 118 net new employees in excess of the company's established base of 118.