

MEMORANDUM

Date: December 15, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

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Packaging Team

Subject: Briefing Memo – Azure Dynamics Inc.
High-Technology MEGA Credit

COMPANY NAME

Azure Dynamics Inc.
14925 W. 11 Mile Road
Oak Park, Michigan 48237

HISTORY OF COMPANY

Azure Dynamics Inc. (Azure) has developed proprietary electric and hybrid electric technology primarily for the light to heavy commercial vehicle category. The company has expertise in the areas of vehicle controls software, power electronics, electric machine design, vehicle systems engineering, and vehicle integration. The principal business of Azure is the supply of hybrid electric vehicle and electric vehicle control and powertrain systems.

Azure has identified three primary target markets for its business, which includes general delivery, shuttle-bus, and electric services. Over the last seven years, the company has focused on research and development as well as testing of its technology for applications in their target markets.

Azure currently has 23 employees in Michigan.

PROJECT DESCRIPTION

Azure and Ford Motor Company have joined in a collaborative effort to deliver a pure battery electric Ford Transit Connect van for the United States and Canadian markets beginning in 2010. Azure will integrate its Force Drive battery electric drive in the Transit Connect van for commercial fleet and retail use.

Azure plans to undertake this project at its facility in the City of Oak Park, Oakland County. At this facility, the company will house additional engineering and light assembly staff related to this project.

Azure will invest approximately \$2.45 million and create 40 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,439. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

There are not any other Michigan businesses known in the same industry.

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 83 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$1.36 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Azure is also considering Windsor, Ontario for this project. The competing location presented a competitive incentive offer for the project. The Ontario Government has a program in place to provide a tax credit for Hybrid Electric Commercial vehicles placed in service. If located in Windsor, Azure would benefit from this tax credit, among other incentives offered by the city and province. Wages would also be lower in Windsor when compared to Oak Park.

The use of the MEGA Tax Credit and other incentives offset the incentives offered by the competing site.

OTHER STATE AND LOCAL ASSISTANCE

The City of Oak Park is supportive of this project and plans to approve a property tax abatement under PA 328 of 1998. The estimated value is not known at this time.

In addition to the MEGA Tax Credit the MEDC has also designated this company as an eligible business under the Technology Collaboration Credit program. The MEDC is also supportive of a Cash Grant of \$3 million.

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 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, followed by a 100 percent employment tax credit for years four through seven for up to 40 net new employees in excess of the company's established base of 23, provided that:

- Upon collecting this tax credit the company must forgo its tax credit approved on September 18, 2007.