



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 16, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Hemlock Semiconductor Corporation
High Technology Credit

COMPANY NAME AND ADDRESS:

Hemlock Semiconductor Corporation
12334 Geddes Road
Hemlock, Michigan 48626

HISTORY OF COMPANY:

Hemlock Semiconductor Corporation (HSC) was formed as a wholly-owned subsidiary of Dow Corning Corporation in 1979, and in 1984 added partners to become a joint venture of Dow Corning Corporation and two of Japan's largest single-crystal wafer manufacturers: Shin-Etsu Handotai Company, Ltd. and Mitsubishi Materials Corporation. HSC tripled its production capacity in 1986 after completing its largest expansion and implementing new technology. Expansion nearly doubled capacity again in 1994 and 1995, and again in 1998. HSC is the leading U.S. supplier of polycrystalline silicon to the semiconductor industry. The company currently has 318 employees in Michigan.

PROJECT DESCRIPTION:

The company is considering an expansion of their existing polycrystalline silicon manufacturing facility in Thomas Township. This expansion is intended to exclusively serve the growing demand for solar power. The silicon produced will be used as a component of photovoltaic cells used to produce solar energy. The company anticipates capital investment of \$40,000,000 to extend and equip two existing manufacturing buildings, and expects to create a total of 60 jobs paying an average weekly wage of \$945.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 122 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$4.8 million (2004 dollars) due to the location of this facility.

BUSINESS CASE:

The company has also considered locating the expansion in Butte, Montana. The manufacture of silicon consumes large amounts of electric power, and the company estimates that Michigan's high electrical costs will add up to \$3 million in operating costs each year. Labor costs in Montana are up to 20 percent lower than in Michigan, which results in \$1 million per year in higher labor and benefit costs.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be eligible for job training assistance of \$500 per worker for 60 new workers, or up to \$30,000, under the Economic Development Job Training program.

Thomas Township has proposed 50 percent abatement of the company's taxes on new real and personal property for 12 years. The estimated value of the local property tax abatement is \$3,230,000. It is anticipated that this abatement will be approved at the township's December board meeting.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high technology employment tax credit for ten years, for up to 60 net new employees.