



MEMORANDUM

DATE: June 13, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Altair Engineering, Inc.

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COMPANY NAME AND ADDRESS:

Altair Engineering, Inc.
1757 Maplelawn Drive
Troy, Michigan 48084

HISTORY OF COMPANY:

Altair Engineering, Inc., (Altair) was founded in 1985 and is the premier developer of product engineering software for visualization, simulation and process automation. Altair is among the world's leading providers of product engineering consulting services and customer on-site services for customers in the automotive, aerospace and heavy construction equipment industries.

DESCRIPTION OF PROJECT:

Due to anticipated growth, Altair finds it necessary to construct a new facility to house its Commercial Software Products, Software Consulting, Product Engineering Consulting and Customer Site Services business units. The company would build a 105,000 square foot office building. Capital investment would include \$15.7 million for the facility and \$10.3 million for equipment, for a total of \$26 million.

The company anticipates adding up to 475 jobs at the facility within 5 years, with average weekly wages of \$947 and a benefit package equal to approximately 27 percent of wages. Construction would begin in July, 2000 and the facility will be operational by January, 2002. The company is exploring sites in Troy, Michigan or Greenville, South Carolina for this expansion.

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BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 725 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$22,074,000 (2000 dollars) due to the presence of the Altair facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Troy, Michigan and Greenville, South Carolina. Based on figures obtained from the company, the cost disadvantage for Altair to site this expansion in Michigan rather than South Carolina amounts to approximately \$3 million annually over the term of the incentive.

The most significant factor in this differential is wages, which are approximately 15 percent lower in South Carolina. Michigan Economic Development Corporation staff has reviewed this and found this to be an appropriate estimation of the cost differential.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Troy will be providing road improvements to accommodate the company's expansion, including and investment of \$866,000 to widen Big Beaver Road, \$40,000 to provide a road into the site and \$15,000 for erosion control in front of the site, for a total of \$921,000 in local commitment.

BUT FOR:

The company conducted both a cost analysis and a strategic analysis of where would be best to site this expansion. The company's first choice is to keep the project in Michigan because

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the company was founded here and has a very dedicated workforce that it would rather keep intact. A decision to move the software portion of the business may result in a loss of talent and a disruption in the business. Of the company's 450 current Michigan employees, 250 positions would be relocated as a result of this move. Also, synergies can be enjoyed if the software portion of the business is kept in close proximity to the rest of the company. However, without the MEGA incentives, these intangibles become hard to justify in terms of outweighing the cost differential.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 475 net new jobs for a period of four years, 75 percent for a period of six years and 50 percent for a period of two years, and a business activity credit of 100 percent for a period of four years and 50 percent for a period of four years.