

MEMORANDUM

Date: March 15, 2011
To: Michigan Economic Growth Authority
From: Greg West, Project Specialist
Packaging Team
Subject: Briefing Memo – Atomic Object LLC
High Technology MEGA Credit

COMPANY NAME

Atomic Object LLC
941 Wealth Street Southeast
Grand Rapids, Michigan 49506

HISTORY OF COMPANY

Atomic Object LLC (Atomic) was co-founded by Carl Erickson and Bill Bereza in 2001 and in 2003 purchased a building in an existing Grand Rapids Renaissance Zone that is set to expire in 2011. The company offers custom software development services to a wide variety of companies in various industries, including automotive, test & measurement, process improvement, healthcare, insurance, financial services, education, distribution, and entertainment. Atomic builds web, mobile, desktop and embedded products for its clients, and provides design, development, testing, and deployment services in support of those products.

The company currently has 26 employees in Michigan.

PROJECT DESCRIPTION

For the project, Atomic Object will be investing at its Grand Rapids location in support of new growth initiatives. The overall growth initiative consists of the creation of two new internal divisions and the necessary building renovation, infrastructure improvements and support necessary to house the growth onsite. The first division will focus on offering embedded software development services to companies on their premises, with the second division focusing on the creation and sale of a suite of integrated software products for running high-tech service businesses.

The company plans to invest approximately \$983,000 and create 30 jobs over the next five years, with 5 jobs projected for the first year, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,295. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 65 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$844,092 (current dollars) due to the presence of this facility.

BUSINESS CASE

Atomic Object LLC is evaluating all options for investment related to the company's future growth. The company is exploring three alternatives to investing at its Grand Rapids location, with the most attractive alternative being the establishment of a remote office in San Francisco, California. San Francisco is an attractive growth option because of the proximity to existing clients and the ability more easily market to new clients in the Silicon Valley area. In addition to being closer to current and prospective clients, locating in California would allow Atomic greater access to the talent pool of software developers and designers in the area. The company estimates recruitment, relocation and higher salary costs would be \$700,000 more if the project were located in Grand Rapids.

OTHER STATE AND LOCAL ASSISTANCE

The City of Grand Rapids is supportive of this project and is considering a property tax abatement under Public Act 328. The value of this incentive is currently unknown.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is advanced computing, 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 75 percent high technology employment tax credit for 4 years for up to 30 net new employees in excess of the company's established base of 26.