



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** November 13, 2001  
**TO:** Michigan Economic Growth Authority  
**FROM:** Kathleen Blake, Senior Vice President  
Business Development  
**SUBJECT:** Briefing Memo – Covisint, LLC

*Jan J. [Signature]*  
*for Kathy Blake*

**COMPANY NAME AND ADDRESS:**

Covisint, LLC  
25800 Northwestern Highway  
Southfield, Michigan 48075

**HISTORY OF COMPANY:**

Covisint was formed by Ford Motor Company, DaimlerChrysler AG, General Motors Corporation, Renault SA and Nissan Motor Co., Ltd., along with Commerce One, Inc. and Oracle, Inc. Covisint operates an online marketplace and collaboration facility to enable electronic transactions between and among automotive suppliers, manufacturers and other parties for their direct and indirect purchasing activity. It also provides manufacturer-to-customer connectivity tools, including automotive supply chain management and product development collaboration. Covisint was established as a legal entity on December 8, 2000. The company currently has 169 employees, all in Southfield, Michigan.

**PROJECT DESCRIPTION:**

Since the announcement of its creation, Covisint has entertained offers from numerous states for the location of its headquarters and full operations. For the past year, the company has been sifting through all this information and has narrowed its choice of sites to Detroit, Southfield, or Atlanta, Georgia.

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November 13, 2001  
Briefing Memo – Covisint, LLC  
Page Two

The company would lease a facility at an estimated cost of \$13.6 million and invest another \$9.25 million in leasehold improvements, furniture and fixtures and computers over the next five years.

The company would create up to 431 net new jobs and wages at the facility would average \$1,904 per week plus a benefit package equal to approximately 30 percent of wages. The company anticipates that a facility will be available by the end of 2002; however, since operations have begun at the current location and hiring has occurred already, the first 75 of these new jobs will be in place by July 2002.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan using Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of XXXX jobs in the state by the year 2021. Total state revenues through the year 2021, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by XXXXXXXX (2001 dollars) due to the presence of the Covisint headquarters facility.

**BUSINESS CASE:**

Covisint has entertained offers from many states but has focused its attention on Michigan and Georgia. Georgia is attractive due to lower wage rates, lower occupancy costs and a more favorable tax situation. It is estimated that the annual cost difference between Michigan and Georgia will range between \$2.5 and \$3.0 million, creating a \$50 to \$60 million cost differential over the life of the MEGA.

The company prefers to be in Michigan due to the proximity of major automotive manufacturers and suppliers. However, since this is an Internet-based business, it can literally locate anywhere. A Michigan location will be hard to justify to current and future investors without MEGA tax credits to help offset these cost differences.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide a 100 percent abatement of the six mill State Education Tax for a period of time to match the local property tax abatement. This tax abatement is estimated to be worth \$413,774. In addition, an Economic Development Job Training (EDJT) grant of \$1,000,000 will be provided for up to 450 net new jobs. In addition, a worker recruitment grant of up to \$1,000,000 will be provided to help offset costs Covisint might incur in recruiting qualified workers. Both the job training and worker recruitment monies will be made available to Covisint over a three-year period. The Michigan Economic Development Corporation will also be providing a rent subsidy to the company of up to \$5 million over a 5-year period.

The City of Southfield has committed \$200,000 worth of staff time to help the company through the permit process, locate appropriate facilities, and otherwise assist the company in any way possible. In addition, the Oakland County Department of Development and Planning has offered a \$45,000 Automation Alley membership for three years. The City of Detroit has pledged at least \$125,000 in staff time and resources towards the successful location of Covisint to its community.

While these amounts will meet the Section 8 local commitment requirement of the MEGA act, the MEGA agreement with Covisint will include a condition that in order to collect a credit, the final community must provide the company with tax abatement either under PA 338, PA 198 and/or a Michigan Renaissance Zone.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for up to 431 net new employees for a period of twenty years and a business activity credit of 100 percent for twenty years. We further recommend that the 120-day look-back provision be invoked on this application.