

MEMORANDUM

Date: July 20, 2010
To: Michigan Economic Growth Authority
From: Robert Wilson, Project Specialist
Packaging Team
Subject: Briefing Memo – Creative Breakthroughs, Inc.
High Tech MEGA Credit

COMPANY NAME

Creative Breakthroughs, Inc.
2075 West Big Beaver Road
Troy, Michigan 48315

HISTORY OF COMPANY

Creative Breakthroughs, Inc. (CBI) is an IT service company specializing in network security, integration and management. CBI's products and services enable companies to more effectively manage their IT infrastructure and business processes through development of custom applications and enterprise specific process improvement.

The company, formed in 1991, began by providing security-focused IT products and services to public, private, and non-profit organizations. Today, CBI has experience serving the needs of many sectors including healthcare, legal, banking, financial services, manufacturing, education, government, and retail. They develop intellectual property and offer IT professional services to a wide range of clients including Home Depot, Cardinal Health, GE, Baxter, Wells Fargo, Symantec's, Ford, and Citigroup.

The company currently has 30 employees in Michigan.

PROJECT DESCRIPTION

CBI plans to expand its Michigan operations due in part to a significant current customer re-evaluating their operation model, allowing for CBI to capture more of the professional service work previously done by this CBI customer. Due to the additional professional services CBI will render, the company must increase its workforce and office space by an additional 4,500 – 7,500 square feet and plans to invest approximately \$780,000.

The company anticipates the creation of 100 jobs over the next five years, with 20 jobs projected in year one, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,788. 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 208 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$2,607,714 (current dollars) due to the presence of this facility.

BUSINESS CASE

According to their application, Creative Breakthroughs, Inc. evaluated the proposed investment relative to sites in Dallas, Texas, where they identified a cost gap with a Michigan location. The company identified several factors resulting in a \$3.2 million cost gap over five years. Mainly, the company cited higher wage and benefit costs in Michigan, stating that professional workers in the Dallas area are paid a minimum of 5% less than Michigan. The company also indicated lease rates and property and state income taxes as disadvantages.

OTHER STATE AND LOCAL ASSISTANCE

The City of Troy is supportive of this project and plans to waive up to \$1,000 of fees and permits that may be required for the build out of CBI's new space. Troy has estimated a minimum value of this assistance to be \$500.

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 is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends an 80 percent high-technology employment tax credit for 5 years for up to 100 net new employees in excess of the company's established base of 30, provided the following:

- The company must create and maintain at least 70 qualified new jobs above the statewide employment base of 30 by the end of the 4th year or the 5th year of the tax credit will be forfeited.