



## MEMORANDUM

**DATE:** February 13, 2001  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Edgewater Automation, LLC

201 N. WASHINGTON SQ.  
4<sup>TH</sup> FLOOR  
LANSING, MI 48913  
1 517 335 5883  
517 241 3683

CUSTOMER ASSISTANCE  
517 373 9808

[www.michigan.org](http://www.michigan.org)

### COMPANY NAME AND ADDRESS:

Edgewater Automation, LLC  
1000 Miners Road  
St. Joseph, Michigan 49085

### HISTORY OF COMPANY:

Edgewater Automation, LLC is a start up advanced technologies special machine manufacturer. The new company will conceptualize, design and build custom automation equipment primarily for the automotive, electronic and appliance industries. The custom machinery designed for assembly and inspection processes will serve special tasks that no industry standard equipment can perform. To maximize technological development, Edgewater will utilize emerging technologies and will have an alliance with Manders Industries BV, an advanced manufacturing supplier in The Netherlands, who will provide technical support and intellectual property.

### PROJECT DESCRIPTION:

Edgewater Automation plans to begin operations for the production of custom manufacturing systems. As part of this initiative, the company plans to lease 40,000 square feet over a five-year growth period. The space will be in a built-to-suit building in the St. Joseph Renaissance Zone. The company anticipates investing \$784,000 in the project, including \$484,800 in capitalized lease costs and \$300,000 in new machinery, equipment and computers.

Edgewater would hire 46 people within a five-year period, including 12 new employees in the first year of operation. The new positions would have an average weekly wage of \$957, with a full benefit package. The

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company, with 40 percent of business in research and development, would begin operations as soon as possible.

#### **BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 110 jobs in the state by the year 2005. Total state government revenues through the year 2005, net of MEGA costs and adjusted for inflation, would be increased by \$1,513,000 (2000 dollars) due to the presence of this facility.

#### **BUSINESS CASE:**

Edgewater is considering sites in Illinois, Ohio and Michigan for the location of their start-up facility that will serve the advanced technology market that exists in the Midwest area. An analysis completed by the company indicates suitable space can be made available at all locations considered.

The consideration of the Renaissance Zone site in Michigan would virtually eliminate all real and personal property tax and the Single Business Tax. This site would also provide the company with a good location to the automotive industry and other clients in the Midwest, which is regionally the largest user of custom equipment in the U.S.

Edgewater must weigh these positives against some competitive disadvantages in selecting Michigan. First, the availability of the programming support for this type of technology is very scarce in Michigan. New employees must be recruited and trained and the costs of recruiting people to Southwestern Michigan could be high compared to a community north of Chicago. Also, Edgewater's affiliate, Manders Industries, has a facility located in Woodstock, Illinois, which would reduce logistical concerns and shipping costs if the start-up located there. Ohio and Illinois also offer below market financing programs and various tax incentives that would help to offset start-up costs for Edgewater.

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### **STATE AND LOCAL ASSISTANCE:**

Economic Development Job Training funds will be offered to the company at \$700 per employee for up to 46 net new employees for a total of \$32,200.

The proposed Michigan site is located in a Renaissance Zone within the City of St. Joseph. For the first eight years of the project the company will not be paying any local or state property taxes except debt service. In the final three years of the Renaissance Zone the property taxes will phase back in with the company receiving a 75 percent abatement in year nine, a 50 percent abatement in year ten, and a 25 percent abatement in year eleven, the final year of the Renaissance Zone designation. The estimated value of local property tax savings due to the Renaissance Zone is \$30,750. The estimated value of the six-mill State Education Tax savings over the same time period totals \$3,970.

Edgewater has also worked with and received assistance from Cornerstone Alliance including rent subsidy, training and assistance with start up costs. The estimated value of Cornerstone's commitments total \$25,000 over a three-year period.

### **COMMENDATION:**

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for the initial two years, 75 percent for the third year, and 50 percent for years four and five for up to 46 net new jobs.