

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Marcia Gebarowski, Project Specialist
Packaging Team

Subject: Briefing Memo – EnovateIT, LLC
Standard MEGA Credit

COMPANY NAME

EnovateIT, LLC
1250 Woodward Heights
Ferndale, Michigan 48220

HISTORY OF COMPANY

EnovateIT was established in 2003 as a reseller of mobile computer workstations for the healthcare industry. These systems are used for electronic medical data entry at the bedside. In 2006, EnovateIT designed a computer wall station that would serve the same purpose to the existing mobile stations. In 2009, EnovateIT grew its business model to include manufacturing capabilities of the products and accessories they design and sell.

The company currently has 78 employees in Michigan.

PROJECT DESCRIPTION

EnovateIT is proposing to expand their design and production operation which requires the company to seek a larger space in Canton Township. If this facility in Canton Township is chosen, all employees will be relocated from Ferndale to the new location.

The company plans to invest approximately \$4 million and create up to 160 jobs over the next five years, with 53 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$558. 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 387 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$8,452,174 (current dollars) due to the presence of this facility.

BUSINESS CASE

The CEO of EnovateIT lives in Ohio and when the opportunity to consolidate and expand arose, Ohio was considered at the discretion of the CEO. Many of EnovateIT's largest customers are in Ohio, secured in most part by their CEO. The facility being considered in Ohio was approximately \$850,000 less than the proposed Canton Michigan facility. Additionally, healthcare insurance is expected to be 17% less in Ohio versus Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The Charter Township of Canton is supportive of this project and will propose a PA 198 tax abatement for up to six years for the real and personal property investment. The estimated value of this incentive is \$347,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for six years for up to 160 net new employees in excess of the company's established base of 78 contingent upon the following:

- EnovateIT must create and maintain 157 qualified new jobs by the end of the fifth year. Failure to do so will result in the forfeiture of the sixth credit year.