

MEMORANDUM

Date: October 26, 2010

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – EO VATIONS, LLC
High Technology MEGA Credit

COMPANY NAME

EO VATIONS, LLC
2801 East Beltline Avenue NE
Grand Rapids, Michigan 49525

HISTORY OF COMPANY

EO VATIONS, LLC (“Eovations”) is a new venture that will commercialize new, next generation composite building material called “EoTek.” The company plans to develop and sell its technology into the building products industry for industrial and consumer use. Eovations was formed through investments from Universal Consumer Products, Inc. (UCP) and the McKinley Technology Equity Fund, LP. UCP is a division of Universal Forest Products, a publicly-traded company that employs over 7,500 people worldwide.

Eovations currently has zero employees in Michigan.

PROJECT DESCRIPTION

Eovations is currently reviewing its location options to establish a research & development and production center for its technology. The facility would serve as the company’s initial facility and would provide space for managerial, administrative, research, development, design, production, and other activities for the company. The company is considering a location in the City of Bay City or Streetsboro, Ohio, for this project.

The company plans to invest up to \$16 million and create up to 64 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,294. 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 169 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$4.1 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Eovations is also considering a location in Streetsboro, Ohio, which is thirty miles outside of Cleveland. The location in Streetsboro offers the company several advantages, including lower lease costs, newer laboratory and production areas and a location better situated to their shipping routes. In addition, the State of Ohio offered a competitive incentive package that included a \$100,000 "Welcome" grant for the reimbursement of a fixed asset, among other incentive tools.

OTHER STATE AND LOCAL ASSISTANCE

The City of Bay City is supportive of this project and has offered to consider approval of a 12-year property tax abatement under P.A. 198 of 1974 on eligible investment. The estimated 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 materials, 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 a 7-year high-technology employment tax credit for this project. The credit percentage would be 200 percent for years 1 through 3 and a 100 percent tax credit for years 4 through 7, for up to 64 net new employees in excess of the company's established base of zero. Any job transferred from Universal Consumer Products, Inc. would not count as a Qualified New Job.