

# MEMORANDUM

**Date:** April 20, 2010

**To:** Michigan Economic Growth Authority

**From:** Amy Deprez, Manager  
Packaging Team

Marcia Gebarowski, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – GalaxE. Solutions, Inc.  
High-Technology MEGA Credit

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## COMPANY NAME

GalaxE. Solutions, Inc.  
2 Executive Drive Suite 430  
Somerset, New Jersey 08873

## HISTORY OF COMPANY

GalaxE. Solutions, Inc. (GES) is a leading independent provider of information technology services with core competencies in custom application development, service oriented architecture, web services, privacy and security. GES provides a range of services from tactical engagements to full project lifecycle solutions. The company and its sister company, Galaxy Systems, is headquartered in Somerset, New Jersey with an off-shore facility in Bangalore, India.

GES currently does not have a Michigan presence.

## PROJECT DESCRIPTION

The company is looking to expand their U.S. footprint and is proposing to locate a second on-shore facility in the City of Detroit, to serve as an extension of operations currently done in New Jersey. Many customers of GES are currently under pressure to have their IT work done onshore versus contracted to offshore firms, GES is confident a new Detroit location, working with new and existing customer base, could accommodate the company's growth versus growing the company at their existing facility in New Jersey. GES plans to lease space at the 1001 Woodward building and facilitate leasehold improvements as well as purchase IT equipment and furnishings for the new employees at this site.

GES proposes to invest approximately \$4.1 million and anticipates the creation of up to 70 jobs in the first year and up to 500 total jobs as a result of this project. The average weekly wage for the newly created jobs will be \$1,208. 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 987 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs, would be increased by \$9,187,840 (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

GalaxE. Solutions and its sister company Galaxy Systems, are currently located in Somerset New Jersey. At the New Jersey facility, the company does have the space and office furnishings to expand by at least 180 new employees before a company expansion and a capital investment project would have to be considered. Additionally, the majority of the company's customers are located in both Pennsylvania and New Jersey, thus losing the convenience and monetary savings of being within close proximity of most of their customers if a Michigan site is chosen.

### **OTHER STATE AND LOCAL ASSISTANCE**

The City of Detroit is supportive of this project and will support property tax abatement for the project. The value of the abatement is not known at this time.

### **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 a 100 percent high-technology employment tax credit for 5 years for up to 500 net new employees in excess of the company's established base of 0.