

MEMORANDUM

DATE: July 11, 2006
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development
SUBJECT: Briefing Memo – Google Inc.
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Google Inc.
1600 Amphitheatre Parkway
Mountain View, CA 94043

HISTORY OF COMPANY:

Google's mission is to organize the world's information and make it universally accessible and useful. As a first step to fulfilling that mission, Google's founders Larry Page and Sergey Brin developed a new approach to online search that took root in a Stanford University dorm room and quickly spread to information seekers around the globe. Google is now widely recognized as the world's largest search engine -- an easy-to-use free service that usually returns relevant results in a fraction of a second.

As a business, Google generates revenue by providing advertisers with the opportunity to deliver measurable, cost-effective online advertising that is relevant to the information displayed on any given page. Thousands of advertisers use the Google AdWords program to promote their products and services on the web with targeted advertising. Thousands of web site managers take advantage of the Google AdSense program to deliver ads relevant to the content on their sites, improving their ability to generate revenue and enhancing the experience for their users. Google is headquartered in Silicon Valley with offices throughout the Americas, Europe, and Asia.

PROJECT DESCRIPTION:

The proposed project would handle online sales and operations for Google's Adwords program. Thousands of advertisers use the Google AdWords program to promote their products and services on the web with targeted advertising.

Google is considering several locations in Washtenaw County and has not yet determined whether the company would lease existing space or construct a new building. It is anticipated that if the company leases space, the total capital investment would be approximately \$20 million in addition to the cost of its lease payments. If the company constructs a new building, this amount would be approximately \$50 million. The company estimates that this proposed project would add up to 1,000 jobs within the first five years of operations, with an average weekly wage of \$913.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 2,245 jobs in the state by the year 2026. Total state government revenues through the year 2026, net of MEGA costs and adjusted for inflation, would be increased by \$127 million (2006 dollars) due to the presence of this facility.

BUSINESS CASE:

While Washtenaw County has a concentration of high technology companies, the numbers are still quite small compared to larger populated areas. Because Ann Arbor is a small community, the available workforce is not as large as that found in other college towns. This workforce issue is somewhat mitigated by the larger workforce potential in the adjoining area. However, this broader labor force does not have the education levels of the Washtenaw County workforce. The company is further constrained by the lack of large real estate sites in Washtenaw County, which limits site location options.

OTHER STATE AND LOCAL ASSISTANCE:

The Washtenaw Development Council will pay the \$5,000 MEGA application fee for the company. The company will request local property tax abatement when a specific site has been selected.

QUALIFYING HIGH TECHNOLOGY ACTIVITY:

The company is a qualified high-technology business, whose primary business activity is advanced computing, as defined in the Act.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment tax credit for 20 years, for up to 2,000 net new employees. The credit percentage will be determined as follows:

- A 100 percent credit will be offered for the first five years of operations, if 75 jobs are created. No credit will be collected if fewer than 75 jobs are created.
- After the initial five years, the credit percentage will be based on the headcount at the project. If the headcount is at least 1,000, 100 percent credit will be available. For headcount below 1,000 but at least 500, the credit percentage will be equal to the actual headcount divided by 1,000. For example, if 850 jobs are created, the credit percentage will be 85 percent.
- Beginning in 2012, the company must create and maintain at least 500 full time jobs to collect the credit.