



MEMORANDUM

Date: June 14, 2011

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – HP Enterprise Services, LLC
Standard MEGA Credit

COMPANY NAME

HP Enterprise Services, LLC
585 South Blvd. East
Pontiac, Michigan 48341
www.HP.com

HISTORY OF COMPANY

HP Enterprise Services, LLC (“HP”) is a subsidiary of the Hewlett-Packard Company, a technology company with print, personal computing, software and information technology infrastructure services. HP s, a division of the Hewlett-Packard Company, provides integrated business solutions across software applications, processes, consulting and support. HP employs nearly 325,000 people worldwide and had \$126 billion in revenue in FY2010.

HP Enterprise Services currently has 1,976 full-time employees at their Pontiac, Michigan location.

PROJECT DESCRIPTION

HP’s proposed project in the City of Pontiac will add technical employees and create a new supply channel of resources for the company’s U.S. Public Sector accounts. The company provides business consulting solutions through multi-vendor environments, virtualization and automation.

HP plans to invest up to \$4.8 million and create up to 250 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 \$1,346. 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 492 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, would be increased by \$11.7 million (current dollars) due to the presence of this facility.

BUSINESS CASE

HP considered Michigan, Ohio and Texas for this project and conducted a search for the appropriate site. Other locations can easily accommodate this expansion and have greater proximity to their client base. In addition, there is a cost associated with upgrading the facility in Pontiac. Other locations offered incentive packages to compete with the site in Michigan. Michigan is being considered because of the potential MEGA Tax Credit and other training incentives.

OTHER STATE AND LOCAL ASSISTANCE

The City of Pontiac is unable to offer tax abatements at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 80 percent standard employment tax credit for 7 years for up to 250 net new employees in excess of the company's established base of 1,976.