

John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: March 12, 1996

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell
Chief Executive Officer
and Department Director *D.R. 2/11*

SUBJECT: Briefing Memo - National TechTeam, Inc.

COMPANY NAME:

National TechTeam, Inc.
22000 Garrison Avenue
Dearborn, Michigan 48124

HISTORY OF COMPANY:

National TechTeam, Inc. is publicly traded on the NASDAQ national market under the symbol "TEAM". The company, headquartered in Dearborn, Michigan with 682 Michigan employees delivers computer services for major companies on an international scale. The company provides computer training, corporate computer support services, call-center services, networking services, and systems integration for Fortune 500 companies and their suppliers. National TechTeam also services customers through offices in Lansing and Troy, Michigan; Chicago, Illinois; Indianapolis, Indiana; San Francisco, California; Dallas, Texas and Brentwood, England.

The company was honored by Governor Engler in September 1995 as one of Michigan's Top 10 performing companies during the past 12 months. In May 1995 the company was selected as one of "The 100 Best Small Corporations" by *Business Week Magazine*.

PROJECT DESCRIPTION:

National TechTeam, Inc. will select either Dallas, Texas or Southfield, Michigan to expand its call-center service operations. The company will occupy 66,000 square feet of office space over three years. They will invest approximately \$6 million in computer and related office equipment, in addition to creating 650 new jobs over a three year period. The average weekly wage at this operation is approximately \$482. Total incremental payroll at full production is estimated to be \$17.3 million annually.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 884 jobs in the state by the year 2004. Total state government revenues through the year 2004, net of MEGA costs and adjusted for inflation, would increase by \$19,917,000 due to the presence of the National TechTeam, Inc. expansion. This project would create a total of \$291 million (1996 dollars) in personal income by the year 2004 for Michigan residents. It would also contribute approximately \$995,916 to local governments and schools through tax payments over 12 years.

COST ANALYSIS:

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Dallas, Texas and Southfield, Michigan. Based on figures obtained from the company, the annual cost disadvantage for National TechTeam, Inc. to locate its expansion in Southfield, Michigan, rather than Dallas, Texas ranges from \$450,000 to \$520,000 over the term of the incentive. The cost differential is primarily attributable to employee wages and the building costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

OTHER STATE AND LOCAL FINANCIAL ASSISTANCE:

No other state assistance is being provided to National TechTeam, Inc.

Local assistance from Southfield, Michigan includes the following:

1. Free housing relocation assistance;
2. Business cards will be made available to National TechTeam, Inc. employees permitting access to all Southfield Parks and Recreation facilities;
3. The city will work with the company and SMART Bus Transportation Service to provide public transportation to the facility, as well as evaluate additional employee parking for the facility;
4. The city has just repaved Eleven Mile Road, which is a major access route to this location at a cost of \$294,000.

Because this company does not engage in manufacturing or have related manufacturing operations, they are not eligible for tax abatement.

BUT FOR:

But for MEGA, National TechTeam, Inc. would not have located in Southfield, Michigan for the following reasons:

1. The company has sufficient operations and capacity in Dallas, Texas. They presently have 214 employees located in Dallas, Texas, as well as extra office space;
2. Given the type of operation that National TechTeam operates, this expansion could very easily locate to Dallas, Texas.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for three years; 60 percent for two years; and 30 percent for four years. This credit is for a maximum of 650 new jobs.