

# MEMORANDUM

**Date:** June 15, 2010

**To:** Michigan Economic Growth Authority

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

Marcia Gebarowski, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Nexcess.net L.L.C.  
High Technology MEGA Credit

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## COMPANY NAME

Nexcess.net L.L.C.  
22005 W. Outer Drive, Ste. 100  
Dearborn, Michigan 48124

## HISTORY OF COMPANY

Nexcess.net is a web hosting company, founded in 2000, that offers their customers a multitude of web hosting services and web hosting solutions through the design and development of their own software, Nocworx and Interworx. Nexcess' main office are located on-site at their own data center which allows the company to offer collocation plans and cabinets at the data center for their customers to connect their own equipment in a secure environment. Nexcess also sells and registers domain names and sells Secure Sockets Layer (SSL) certificates that ensure secure transactions between web servers and web browsers.

Nexcess.net currently has 23 employees in Michigan.

## PROJECT DESCRIPTION

Nexcess proposes to convert a building in the City of Southfield into a data center to support its web hosting and software development operations. The company has plans to renovate the building including upgrades to the heating and cooling system, upgraded security system and other building modifications to support their highly technical operations. The company would also invest a significant amount in computer systems and other equipment for this new facility.

Nexcess.net will invest approximately \$4.2 million and create 41 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$600. 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 91 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$1,035,919 (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

Alternatively, Nexcess is considering locating their new facility in Indianapolis, Indiana or Chicago, Illinois. Both locations provide a pool of tech-savvy workers and have greater availability of fiber optic providers than Michigan which drives down the costs for the company. The State of Indiana has lower labor costs for the technical jobs compared to southeast Michigan as well as lower utility costs, especially in electrical rates for this operation.

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

The City of Southfield is supportive of this project and is willing to provide a three year PA 328 tax abatement for this project. The value of this incentive is approximately \$35,713.

### **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 75 percent high-technology employment tax credit for six years for up to 41 net new employees in excess of the company's established base of 23. Contingent on the following:

- Company must hire and maintain 40 qualified new jobs by year five to be eligible for the sixth year of the credit. Failure to do so will result in the forfeiture of the sixth year.