



## MEMORANDUM

**DATE:** April 25, 2001

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President  
Michigan Business Development

**SUBJECT:** Briefing Memo – Picometrix, Inc.

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### COMPANY NAME AND ADDRESS:

Picometrix, Inc.  
P. O. Box 130243  
Ann Arbor, Michigan 48113-0243

### HISTORY OF COMPANY:

Picometrix, Inc. was started in 1992 to develop ultrafast diagnostic tools for research applications. Research into ultrafast optical science had been ongoing on defense-related projects at the University of Rochester in New York. A collaborative effort between the State of Michigan, the University of Michigan and the National Science Foundation brought this research to Michigan in 1988 with the establishment of the Center for Ultrafast Optical Science (CUOS). Picometrix produces high-speed optical sensing devices, which to this point, have been used largely by other researchers, universities and government laboratories. The growth of the Internet, with its ever-increasing demands for transmission speed, and the competition for telecommunications services spurred by the Telecommunications Act of 1996 has opened new markets for the company. The devices developed by Picometrix, Inc. can convert optical pulses from fiber optic cable to the electrical pulses needed by computers and other equipment. Because Picometrix had already developed this technology, the company is poised to become a leader in these new markets. The company currently has 37 employees at its facility in Ann Arbor.

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### **PROJECT DESCRIPTION:**

Picometrix, Inc.'s business expansion plans require the relocation of its existing operations in Ann Arbor into a larger facility. The company's plans include the investment of approximately \$18.3 million in new machinery and \$700,000 in computer equipment to expand its manufacturing capabilities and continue its extensive research and development activity. In addition, Picometrix would lease a 52,000 square foot facility in Ann Arbor with a capitalized lease value of \$6.3 million and leasehold improvements totaling \$3.5 million. The company would hire up to 243 new employees with an average weekly wage of \$1,062 within three years. Production at the facility is anticipated to begin in October 2001.

### **BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 383 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs and adjustment for inflation, would be increased by \$30.4 million (2001 dollars) due to the presence of this facility.

### **BUSINESS CASE:**

Although the company would prefer to remain in Michigan where it started, there are several market and monetary considerations the company must bring to bear on its final location decision. Perhaps one of the most obvious of these is the fact that the fiber optics components and equipment industry is not concentrated in Michigan, but in Massachusetts, California, New Jersey, Virginia and Texas. This puts the company at a disadvantage for procuring resources such as talented labor, infrastructure, capital, suppliers, and creates a distance between them and their customers.

The company has compared locating this project in Austin, Texas and found that not only would they be able to recruit more talent due to Austin's position as a telecommunications center, but they could pay these employees less than they would have to in the Ann Arbor market area. The company estimates that indirect and direct labor costs would be \$2.7 million higher in Michigan than in Texas over the first three years of the project.

The support of this project through MEGA credits and other state and local incentives will help to alleviate these cost and market considerations and put Michigan on a more even playing field for this expansion project.

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

The State of Michigan will provide an Economic Development Job Training grant of up to \$243,000 for the 243 net new jobs to be hired by the company.

Washtenaw Community College has committed to contributing up to \$30,000 per year over the next three years to develop a new college curriculum in the micro/photo electronics area, pay for professional development of faculty, payment of faculty salaries, purchase of materials and refitting of laboratory space. Picometrix will materially impact the timing of development of this program as Washtenaw Community College strives to meet the company's training needs.

#### **RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a High Tech MEGA tax credit consisting of an employment credit of 100 percent for two years and fifty percent for four years for up to 243 net new jobs, and a business activity credit of 100 percent for 16 years. Also, due to the necessity for the company to hire talented people when they are available, we are asking that the 120-day look-back provision be granted this project.