

# MEMORANDUM

**Date:** May 18, 2010

**To:** Michigan Economic Growth Authority

**From:** Val Hoag, Director  
Packaging

Greg West, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Proto Manufacturing, Inc.  
High Technology MEGA Credit

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## COMPANY NAME

Proto Manufacturing, Inc.  
1980 E. Michigan Ave.  
Ypsilanti, Michigan 48198  
www.protoxrd.com

## HISTORY OF COMPANY

Founded in 1968, Proto Manufacturing has been involved in the development and application of non-destructive evaluation technology. Proto measures and maps residual stresses for customers in the aerospace, alternative energy, medical device technology, defense, power-generation, nuclear and automotive industries. The company also designs, develops and manufactures its own line of x-ray tubes, which enhance the performance, reliability, and capabilities of its x-ray diffraction technology systems.

Proto Manufacturing, Inc. currently has 4 full-time employees in Michigan.

## PROJECT DESCRIPTION

For the project, Proto Manufacturing proposes to relocate and expand its operations into a new 18,800 square-foot facility in Taylor. Proto plans to make significant renovations to the facility, including the installation of a new roof and upgrades to office and showroom space. Proto also expects to make a significant investment in new machinery and equipment. The new facility's research and development functions will include in-house laboratory services that provide residual stress measurement, stress mapping, and related services in a controlled environment.

Proto Manufacturing, Inc. plans to invest up to \$5.25 million and create up to 46 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$964. 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 88 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$1,419,186 (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

Proto is currently evaluating alternative sites in South Carolina, Indiana, Ohio, and Tennessee, with the main competition for the project being South Carolina. The main disadvantage, should the company locate in Michigan, is the higher cost of labor. Proto anticipates that labor costs in South Carolina are 79% of what they will be in Michigan. In addition, if the project were to locate in South Carolina the company would realize lower utility costs, and lower personal and real property tax rates. The MEGA tax credit would help offset these competitive disadvantages and help to make it possible for the company to remain in Michigan.

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

The City of Taylor is supportive of this project and anticipates the approval of local tax abatements. The value of the abatements is not known at this time.

### **QUALIFYING HIGH-TECHNOLOGY ACTIVITY**

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

The company is qualifying with the 10 percent research and development requirement.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 7 years for up to 46 net new employees in excess of the company's established base of 4. If the company fails to create and maintain at least 46 net new employees and make a capital investment of at least \$4.0 million by the end of the fifth credit year the remaining credit years will be forfeited.