

MEMORANDUM

Date: February 25, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Sakor Technologies, Inc.
High-Technology MEGA Credit

COMPANY NAME

Sakor Technologies, Inc.
2855 West Jolly Road
Okemos, Michigan 48640

HISTORY OF COMPANY

Sakor Technologies, Inc., founded in Michigan in 1987, is a leader in the research and development of test systems for the automotive, heavy equipment, aerospace, and alternate energy industries. The company designs and builds advanced dynamometer systems for the testing of engines, drive trains, electric motors and generators, and other rotating or electrical equipment. Many of Sakor's systems are used for emissions testing, as well as in the development of hybrid vehicle drive trains and wind energy turbines and generators.

Sakor Technologies, Inc. currently has 5 employees in Michigan.

PROJECT DESCRIPTION

Sakor has outgrown its current facility in Okemos and will be purchasing a new facility and permanently relocating its headquarters and research and development operations to Perry Township. The new facility will require interior and exterior renovations, including upgrades to the building's electrical service. Overall, the new facility offers enough floor space to meet the company's current requirements, as well as allow them to secure additional contracts and engineer larger test units that the current space does not allow.

Sakor will invest approximately \$1.1 million and create 25 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$1,185. 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 46 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$876,000 (current dollars) due to the presence of this facility.

BUSINESS CASE

Sakor is also considering Denver, Colorado as a potential location for this project. Locating the project at a facility in Denver would result in a large savings for the company due to a lower overall tax rate in Colorado. The company indicates a five year cost gap in excess of \$570,000. The MEGA tax credit would help offset a portion of that difference and help to make it possible for the company to remain in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The Township of Perry is supportive of this project and anticipates the approval a 12 year PA 198 tax abatement. The estimated value of the abatement is \$49,472. In addition to the tax abatement, the township has made road and other infrastructure improvements that will benefit the facility.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Engineering or Laboratory Testing, as defined in the Act.

The company has certified that at least 10 percent of its total operating expenses are related to research and development.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years for up to 25 net new employees in excess of the company's established base of 5.