



MEMORANDUM

Date: July 19, 2011

To: Michigan Economic Growth Authority

From: Stacy Bowerman, Project Specialist
Packaging Team

Subject: Briefing Memo – Science Applications International Corporation
High Technology MEGA Credit

COMPANY NAME

Science Applications International Corporation
10260 Campus Point Drive
San Diego, California 92121
www.saic.com

HISTORY OF COMPANY

Science Applications International Corporation (“SAIC”) was founded in 1969 as a technology company supporting government contracts through the United States Department of Defense. Over the years, the company has grown into a Fortune 500 scientific, engineering and technology application company and expanded into the national and homeland security, energy and environment, critical infrastructure and health sectors.

SAIC and its related entities have approximately 43,000 employees worldwide. Of these, 155 are employed in Michigan by SAIC.

PROJECT DESCRIPTION

SAIC has teamed with Boeing and other international defense companies to bid on the first of three phases for an improved Ground Combat Vehicle contract with the United States Department of Defense. The first phase is a two-year contract for technology development and the second and third phases include engineering, prototype development, and production. SAIC is considering a Roush facility in the City of Livonia, Wayne County as the project site if they secure the phase one contract.

The company plans to invest approximately \$805,000 and create 50 jobs, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$2,250. 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.

Michigan Economic Development Corporation

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 112 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs, would be increased by \$747,297 (current dollars) due to the presence of this facility.

BUSINESS CASE

SAIC conducted an extensive site selection process when considering potential locations for this project, with Michigan and South Carolina being the leading candidates. During the selection process, the company noted that they had excess capacity at existing facilities in South Carolina where the project could easily be located. If the company were to locate the project at one of their facilities in South Carolina there would be no need to lease additional space to accommodate the project. In addition, SAIC is also exploring incentive offers from South Carolina to attract the new technology development operation. By offering a MEGA tax credit and local assistance we were able to offset the operational cost advantages of locating the project in South Carolina.

OTHER STATE AND LOCAL ASSISTANCE

The City of Livonia is supportive of this project and anticipates approval of a 12-year property tax abatement under Public Act 198 of 1974, with an estimated value of \$59,000.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Homeland Security and Defense Technology, 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 100 percent high technology employment tax credit for two years for up to 50 net new employees in excess of the company's established base of 322.