

MEMORANDUM

Date: September 14, 2010

To: Michigan Economic Growth Authority

From: Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Search Optics, Inc.
Standard MEGA Credit

COMPANY NAME

Search Optics, Inc.
4445 Eastgate Mall, Suite 320
San Diego, California 92121

HISTORY OF COMPANY

Search Optics, Inc. (“Search Optics”) was formed in 1998 and provides digital marketing services for automotive sales clients, like auto dealerships. Services provided by the company include website development, search engine optimization, social media marketing, online reputation management and email marketing. The company also provides analytical tools to assist in the evaluation of each marketing service.

The company currently has two employees in Michigan.

PROJECT DESCRIPTION

Search Optics is expanding beyond its existing location in San Diego, California to the eastern portion of North America to better serve clients and customers located on the east coast. While the company already serves as the outsourced digital media marketer for existing clients, they hope to strengthen and grow relationships with physical proximity to their customers. The company is considering a location in Ferndale, Michigan; Toronto, Canada; or Ft. Lauderdale, Florida. Should the company locate in Ferndale, they would lease a facility with an option to purchase after one year.

The company plans to invest up to \$4.1 million and create up to 288 jobs over the next five years, with 60 jobs projected in year 1 as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$849. 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 545 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$9.5 million (current dollars) due to the presence of this facility.

BUSINESS CASE

While Michigan provides a strategic location due to the local number of automotive manufacturers, Toronto, Canada and Ft. Lauderdale, Florida also provide strategic locations near important customers. The location in Florida, for instance, would operate close to a large automotive marketing agency and is a central hub of their customers on the Gulf Coast. In addition, there are cost savings associated with these locations, including tax savings, incentives for new business locations, and reduction of travel costs to clients in these locations.

OTHER STATE AND LOCAL ASSISTANCE

The City of Ferndale is supportive of this project and will consider approval of a three-year tax abatement under P.A. 328 of 1998. The community estimates the value of this incentive to be up to \$30,000 over the term of the abatement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years for up to 288 net new employees in excess of the company's established base of 2.