



300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER ASSISTANCE
517 373 9808

WWW.MICHIGAN.ORG

MEMORANDUM

DATE: September 11, 2002

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Veridian Systems Division, Inc.
Standard Credit

- EXECUTIVE COMMITTEE**
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Corporation

COMPANY NAME AND ADDRESS:

Veridian Systems Division, Inc.
1400 Key Boulevard
Arlington, Virginia 22209

HISTORY OF COMPANY:

Veridian Systems Division is a wholly owned subsidiary of Veridian Corporation. Veridian Corporation was incorporated in 1986 and serves as a holding company for its subsidiaries. Veridian is a leading provider of information-based systems, integrated solutions and services to the U. S. government, specializing in mission-critical national security programs, including the design, development, deployment, operation and protection of vital networks, databases and other information and intelligence systems. The company is at the forefront of U.S. government-funded research, development and application of advanced information and sophisticated sensor technologies for emerging defense and intelligence initiatives. Veridian Systems Division acquired ERIM International of Ann Arbor in 1999. The company currently has 320 full time employees at its Ann Arbor facility.

PROJECT DESCRIPTION:

Veridian Systems Division needs to relocate and expand its Ann Arbor research and development center in order to accommodate the consolidation and expansion of Pfizer within Ann Arbor. In addition, new customer research programs will require additional facilities.

PRESIDENT & CEO
DOUG ROTHWELL

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If the project locates in Ypsilanti Township, it will require the investment of \$35.1 million in a new facility and \$3.7 million in machinery and equipment, for a total capital investment of \$38.8 million. Up to 245 new jobs would be created over a five-year period with average weekly wages of \$1,205 as well as a benefit package totaling nearly 25% of wages. Building construction would commence in June 2003 and be complete by September 2004.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 366 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs and adjusted for inflation, would be increased by \$23.5 million (2002 dollars) due to the presence of this facility.


BUT FOR:

Because the company has to move and because there is no reason why the company has to stay in Michigan, Veridian Corporation asked the Veridian Systems Division to look around at other states, including Ohio and Virginia for possible relocation. An available campus-style site was found in Lucas County, Ohio that would serve the company well and require minimal up-front capital investment. Also, because this is a vacant facility, move-in could be immediate, thereby freeing up their current Ann Arbor facility sooner for Pfizer. Lease costs at the Ohio facility would be approximately \$900,000 per year lower.

Despite these obstacles, the company would like to remain in the Ann Arbor area due to its ability to work closely with the University of Michigan and its ability to attract and retain qualified personnel in the disciplines they require. A MEGA credit is needed, however, to help bridge the financial gap between the two possible locations.

OTHER STATE AND LOCAL ASSISTANCE:

Ypsilanti Township, on August 26, voted in favor of a 12-year abatement of real and personal property for the project. The value of this abatement is estimated at \$3 million.



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RECOMMENDATION:

The Michigan Economic Development Corporation recommends a Standard employment credit of 100 percent for 16 years and a business activity credit of 100 percent for five years for up to 245 net new jobs.