

September 8, 2005

TO: John Szerlag, City Manager

FROM: Doug Smith, Real Estate and Development Director 

SUBJECT: AGENDA ITEM - Local Match for a Michigan Economic Growth Authority (MEGA) Retention Incentive Package

Management was approached by the Michigan Economic Growth Authority (MEGA) and Systems Technology Group, Inc. (STG) to provide a local match for a state package of incentives to retain this company in Troy, Michigan. State law requires that in order for MEGA to provide an incentive package to a company, a local contribution must be made. The size and nature of that local match is negotiated between MEGA and the local community. This MEGA incentive package will be considered by MEGA on September 20, 2005.

The city and the state have been working closely with STG, a local software firm located at 3155 West Big Beaver in Troy, which employs 96 people in Michigan. STG is a family and minority owned software development company, which has grown from 8 employees in 1985 to 195 currently in the U.S. Recently named one of the top 100 minority owned companies in the U.S., they develop, redesign, update and/or webify antiquated software systems and implement those new systems for an array of clients in automotive, medical, retail and government sectors.

Recently STG landed a \$7 million DCX contract to redesign and web enable several dealership software packages. Plans are underway to add a minimum of 50 new employees @ \$24 per hour in the next five years to complete this contract. The potential to add several hundred employees rests on being awarded other major contracts.

The company also has an operation in India with 200 employees. They are considering expanding in India instead of Michigan because of the high cost of doing business in the state. STG is looking for an incentive to grow in Michigan rather than expanding their India operations.

MEGA has determined that the company is eligible for a High-Tech MEGA. The state has agreed to provide a package of incentives to STG to secure their commitment to expand in Troy. The total MEGA package is expected to be worth in excess of \$5 million dollars based on job growth. The MEGA package will be made up of providing a credit, for the personal income tax paid on wages, against the SBT liability. The local contribution is provided only when the company receives final MEGA approval.

After discussion between city staff and MEGA, it was determined that a local contribution would be \$45,000 of leasehold improvements funded through the Troy D.D.A. Since there is no public infrastructure needs in the area, staff proposed leasehold improvements for their expansion plans at Troy Place, a complex of buildings at the Southwest corner of Coolidge and Big Beaver.

MEGA staff has indicated this local contribution is a sufficient local match. Management would recommend city council approve the city's share of the local contribution and the Troy D.D.A. would consider action at their September 21st meeting. The DDA budget has sufficient funds in its budget designated for MEGA matches that would be utilized for this expenditure.



SYSTEMS TECHNOLOGY GROUP, INC.

5155 W. Big Beaver Road, Suite 220 • Troy, MI 48064 • 248.643.9010 • 248.643.9250 Fax • www.stgit.co

RECEIVED
AUG 30 2005

August 29, 2005

Mr. Doug Smith
Real Estate & Development Director
City of Troy
500 W. Big Beaver Road
Troy, Michigan 48084

Reference: Systems Technology Group, Inc (STG) High Tech Mega Tax Credit
Application

Dear Doug:

Systems Technology Group, Inc (STG) is applying to the Michigan Economic Development Corporation for a High Tech Mega Credit. STG is requesting the City of Troy's support in the form of leasehold improvements for \$45,000.

I would greatly appreciate the City of Troy's support by responding to both Amy Banning of the MEDC and myself?

I look forward to hearing from you.

Sincerely,

A handwritten signature in black ink, appearing to read "Anup K. Popat".

Anup K. Popat
CEO