

July 28, 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 American Systems Technology, Inc. (ASTI) to provide a local match for a state package of incentives to retain this company in Michigan, and, in this case, in Troy. 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 August 16, 2005.

The City and the State have been working closely with ASTI, a local electronic and software firm located at 888 Big Beaver in Troy, which employs 50 people. ASTI is a developer of electronics for military vehicles and software for educational institutions. The growth is in both military application and educational software development. The company is also considering Huntsville, Alabama where the Army military command is located and wages and lease costs are lower.

The company is experiencing rapid growth and expects to hire 200 people in the next five years at \$38.00 per hour or approximately \$80,000 per year. ASTI is currently out of space in their existing location and needs to locate new space to meet company growth. They would like to remain in Troy and consolidate and double the space in their current multi-tenant leased building.

MEGA has determined that the company is eligible for a High-Tech MEGA. The state has agreed to provide a package of incentives to ASTI to secure their commitment to expand in Troy.

The total MEGA package will be negotiated next week and is expected to be worth several hundred thousand 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. Some training funds may also be included. The local contribution is provided only if the company receives MEGA approval.

After discussion between City staff and MEGA, it was determined that a sufficient local contribution would be in the neighborhood of \$30,000. Since there is no public infrastructure needs in the area, staff sought the help of Oakland County and the Troy Chamber of Commerce. The result was a combination of local providers offering the following package:

City of Troy: Committing in daily and/or annual Aquatic Center passes (limited to 15 annual passes per year for 3 years), a value not to exceed \$7,000. (Council approval is required).

Walsh College: Committing up to \$7,000 in employee training, worker recruitment, career fair assistance and business assistance for company growth.

Troy Chamber: Committing an executive level membership valued at \$2,300.

Oakland County: Committing 50% of a Foundation level membership for Automation Alley for the company valued at \$7,500 and provide office space (50 sq.ft.) for ASTI at Automation Alley Headquarters valued at \$3,000 annually.

Butzel Long (Law firm): Committing to conduct a trade secret/non-compete audit of the company, along with corresponding discussion and counsel on these topics, a value of up to \$3,000.

MEGA staff has indicated this package of contributions is a sufficient local match. Management would recommend City Council approve the City's share of the local contribution.