



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** August 23, 2005  
**TO:** Michigan Economic Growth Authority  
**FROM:** Jim Donaldson, Vice President  
Business Development  
**SUBJECT:** Briefing Memo – American Systems Technology, Inc.  
High-Technology MEGA Credit

**COMPANY NAME AND ADDRESS:**

American Systems Technology, Inc.  
888 West Big Beaver Road, Suite 710  
Troy, Michigan 48084

**HISTORY OF COMPANY:**

American Systems Technology, Inc. (ASTI) is a technology company that develops advanced vehicle electronics for military and automotive applications. The company has developed a technology platform called Electronic Systems Integration (ESI), which takes the concepts of the "motherboard" and "plug and play" devices from the PC industry and applies it to vehicles. This system enables the gathering of vital vehicle data and the communication of this data to vehicle operators, maintainers and command centers. The company also has a unique "School Stream" division which provides software applications for school districts to address operational and administrative processes. The company was founded in 1992 and is headquartered in Troy, where they currently have 35 employees.

**PROJECT DESCRIPTION:**

ASTI needs to expand the research and development operations of the ESI division because of the continued success of their products developed with the US Army. Numerous commands in the Army are interested in the ESI platform, and plans are being developed to implement it across the Army's fleet of vehicles. In order to meet the demands of this growth, the company needs to double their capacity. They are considering leasing 13,000 square feet of space in Troy in order to consolidate their operations and provide space for the continued growth of the company. The project would lead to the creation of 21 new jobs in the first year of the project and 164 new jobs over five years. The new positions will pay an average starting weekly wage of \$1,343.

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Total capital investment for the project would be approximately \$3.7 million, including \$2.8 million for capitalized lease costs and leasehold improvements and \$900,000 for new office furniture and computers.

**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 176 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$1.9 million (2005 dollars) due to the presence of this facility.

**BUSINESS CASE:**

In addition to Troy, ASTI is also considering Huntsville, Alabama for their ESI research and development center. Huntsville is the location of the Army Material Command, which makes the decisions on these types of programs. A project cost comparison analysis between the Huntsville and Troy showed lower wages and lease rates in Alabama compared to Michigan. Wages are estimated to be 10% lower in Alabama, while lease costs are estimated to be 12% lower in Alabama. In addition, the company indicates the project will have a negative impact on their SBT due to the high compensation being paid to their workers in Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Troy and other educational and economic development entities will provide a number of benefits to support this project. First, the City of Troy will commit up to \$7,000 for 15 annual passes to the community aquatic center for three years. Second, Oakland County and Automation Alley will provide \$7,500 towards a membership in Automation Alley, as well as providing free office space to ASTI, an additional value of \$3,000 annually. Additionally, Walsh College will provide up to \$7,000 in employee training, worker recruitment, career fair assistance and business assistance. Finally, the Troy Chamber will provide an executive level membership with an estimated value of \$2,300.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years, for up to 164 net new employees.