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## MEMORANDUM

**DATE:** April 25, 2001  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Strategic Interactive, Inc.

### COMPANY NAME AND ADDRESS:

Strategic Interactive, Inc.  
3101 Technology Parkway, Suite H  
Lansing, Michigan 48910

### HISTORY OF COMPANY:

Strategic Interactive, Inc. is a web-based technology development company focused on the training and performance enhancement market. Strategic Interactive develops human resource management systems and web-based courseware and provides web-based consulting services. The company was founded in 1995 on Michigan State University's campus and moved to the MSU Technology and Research Park in 1998. In late 1998, Provant, a publicly traded company, purchased outstanding shares of Strategic Interactive. Strategic Interactive currently employs 93 people in Michigan.

### PROJECT DESCRIPTION:

In order to capitalize on Strategic Interactive's technology expertise, its parent, Provant, has undertaken two expansion initiatives. The technology@provant initiative accelerates the web enabling of Provant's products and services by applying Strategic Interactive's technology and would relocate Provant product development units from across the United States to a central location. The SmartForce/Provant initiative involves jointly funding and developing 320 web-based instructional hours of courseware based on Provant's soft skills content. Strategic Interactive is Provant's development house and the increased capacity will allow Strategic Interactive to develop a larger share of the courseware titles in addition to relocating SmartForce's development facilities from Dublin, Ireland to the centralized location chosen.

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Together, these new projects would require a capital investment of \$3.8 million in lease costs and \$1.85 million in equipment and will involve hiring up to 150 new employees over a 5-year period. The new employees would have an average weekly wage of \$687 with a complete benefit package. The company would lease a new 28,400 square foot speculative building currently under construction within the MSU Innovation and Technology Research Park in Lansing, Michigan, or at a Provant facility with available space in Des Moines, Iowa. If the project is located in Michigan, the company would start up at its new location in mid-May, 2001.

**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 205 jobs in the state by the year 2007. Total state government revenues through the year 2007, net of MEGA costs and adjustment for inflation, would be increased by \$6.0 million (2001 dollars) due to the presence of this facility.

**BUT FOR:**

As part of its decision making process, the company completed an extensive cost comparison between Lansing, Michigan and Des Moines, Iowa. This analysis found that a cost gap averaging \$117,000 per year exists between the two locations. This cost gap is largely due to Provant having a facility with available space in Des Moines, which would necessitate a lower cost in obtaining additional space. Also, a wage differential of approximately 10 percent exists, again favoring the Des Moines location.

Strategic Interactive <sup>it has</sup> would prefer to remain in Michigan due to the excellent workforce ~~they have~~ been able to recruit. Also, the company was founded here and the executives of the company do not want to move from the area. It is felt, however, that unless a substantial portion of this cost gap is filled through a MEGA, Provant will consolidate these operations in Des Moines.

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**OTHER STATE AND LOCAL ASSISTANCE:**

Economic Development Job Training funds will be offered to the company at \$500 per employee for up to 150 net new employees for a total of \$75,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$82,414.

The City of Lansing will provide an abatement of 50 percent of the real and personal property taxes for a period of six years. The value of this local abatement is estimated at \$371,836.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a employment credit of 100 percent for the initial three years, 75 percent for years four and five, and 50 percent for years six and seven for up to 150 net new jobs.