



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: February 3, 2009
TO: Michigan Economic Growth Authority
FROM: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging

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SUBJECT: Briefing Memo –Wonderstruck Studios, LLC
Standard MEGA Credit

COMPANY NAME:

Wonderstruck Studios, LLC
499 N. Canon Drive
Beverly Hills, CA 90210

HISTORY OF COMPANY:

Wonderstruck Studios, LLC, a new business venture, primarily devoted to producing computer-generated (CG) visual effects and animated content in a digital pipeline format. The hardware and software applications result in a variety of content including live-action and CG hybrids, feature films, made-for DVD, video games, television and commercials. The company is the first of its kind in Michigan and proposes to deliver full-scale Hollywood productions from inception to state-of-the-art computer generated 3D software capabilities. Wonderstruck's owned content is primarily targeted toward families and young audiences.

Wonderstruck Studios, LLC currently has no employees in Michigan.

PROJECT DESCRIPTION:

Wonderstruck Studios intends to create a digital pipeline that will start with one film and add several more content projects over the course of five to seven years. The construction of digital pipelines has been successful throughout Asia including India, Korea, China, Hong Kong and Singapore with an additional growing trend in Israel and Russia. With the right infrastructure in place, a digital pipeline can be duplicated in Michigan. Wonderstruck will create a state-of-the-art technology production facility in downtown Detroit that provides full-service capabilities for both media and entertainment projects.

Wonderstruck has contracted with top, award-winning animators in the visual effects business who have committed to re-locating permanently to Michigan. Recognizing that the Michigan workforce does not yet have the required skill set required of Wonderstruck, Wonderstruck has developed an intense training program for potential new Michigan employees.

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Total investment over five years will be approximately \$85.9 million. This project will create 413 new jobs with an average weekly wage of \$1,729. The company will offer health care benefits and pay a portion of the benefit costs.

BENEFITS TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 700 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, would be increased by \$31.8 million (current dollars) due to the presence of this expansion.

BUSINESS CASE:

The costs to develop, produce and market CG animated content are substantial. This project is not economically viable without the Michigan credits and incentives and Wonderstruck could not consider this project without the approval of the MEGA incentive, Michigan film production infrastructure credit and local tax abatements. CG projects in recent years have been sent to low cost, but high technology countries, such as India, China and Korea. Wonderstruck is also considering outsourcing this project to one of these locations.

Wonderstruck, together with its various competitors, have experienced significant challenges with foreign out-sourced talent. Unfortunately, as tech savvy as Michigan's highly skilled workers are, the state does not currently have the training or the skill level needed for high end digital effects and animation.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Detroit anticipates the approval of real and personal property tax abatements in addition other possible incentives in support of the project.

The Michigan Film Office also anticipates the approval of Infrastructure Development Film and Digital Media Incentives.

The MEDC has also approved training funds for the project through its Economic Development Job Training program. The MEDC will provide an employee training grant of \$2,000 per job for up to 106 new jobs expected to be hired in the first two years of the project. This training grant could be worth up to \$200,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 12 years, for up to 413 net new employees over an established employment base of 0, subject to the following:

Provided that the company create a minimum of 400 jobs, over the employment base of 0, by the end of the seventh year of operations and continues to maintain that number in future years. Failure to do so will result in the remaining years to be forfeited.