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## MedHab Incentives

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On January 3, 2012, the San Angelo City Council formally approved an incentive offer for MedHab, LLC, a medical device company considering a location of their permanent operations plant in San Angelo. This high-tech company has received the necessary patents for their initial product to secure FDA approval, and have other provisional patents filed for future products. The company received incentive offers from other Texas communities, but has narrowed their search to San Angelo and Abilene.

Our economic development partners have worked with the company to craft an incentive package that meets the needs of the company while not causing undue burden to the community as the funds will be paid out to the company over a six-year period. The COSADC board unanimously approved the incentive package outlined below at their meeting on November 16, 2011. The estimated return on investment to the community at year six is estimated to include an annual direct payroll in excess of \$6M, \$236K annually in additional tax revenue to the City and County, and more than \$5M in property value added to the tax rolls.

Per the company's request, all incentives will be paid and/or reimbursed after verification of performance and/or expenditure by the Company. Total cash value of all incentives to be paid from economic development sales tax proceeds will be a maximum of \$2,795,500, and the total value of incentives to be paid from property tax revenues will be \$94,339. Additionally, the value of Incubator space to the company is calculated as foregone lease payments for three years, which results in a cost savings to the company of \$648,000. As the Incubator building is currently owned by the COSADC, there will be no additional cash costs associated with this portion of the recommended incentive offer.

MedHab was started by Johnny Ross, a San Angelo native, and Tim Sanghera. Several economic development partners have worked with the company owners over the past few years to help them refine their business, operational, and marketing plans. The Company has also worked most recently with Tech Ft. Worth, an incubator affiliated with the University of North Texas.

The company has already invested in the community by partnering with Angelo State University to develop a proprietary software application that will be used for data collection from the medical device. They are also exploring additional partnerships to develop the healthcare provider support application and the potential for industrial intelligence applications.

Their first product will be ready for commercial launch in Australia in June 2012, with a launch in the U.S. as soon as they receive final FDA approval. They will expand their operations in three phases over the next five to six years, creating up to 85 jobs in Phase I. The jobs will be in manufacturing, distribution, technical assistance, healthcare provider support, and management, which will provide much needed opportunities for the existing labor force. Full production is estimated to generate up to 227 jobs, and the company estimates an annual payroll between \$5 – 6M, with all jobs having full benefits. The Bureau of Economic Analysis establishes the multiplier for these jobs at 2.5, indicating the total impact to the community will be the creation of another 2.5 jobs for every job created by this Company.

The company has raised \$1.8M from less than 10 investors (3 in Austin, 3 in San Angelo, 1 in Lubbock, 2 in Dallas) and has identified sources for \$3M mezzanine funding needed to procure a permanent facility for their operational plant. The company plans to invest \$500,000 in upgrades to an existing building, and will procure a minimum of \$2M in capital equipment.

The approved economic development incentive package to MedHab, LLC, will be awarded on the condition that the Company establish their operational plant location in San Angelo and create up to 227 new jobs at that plant will include:

- an economic development incentive of \$7,929 for each new job to be created, up to a maximum incentive of \$1.8 million;
- an economic development incentive in the form of a reimbursement of up to 25% of costs incurred by the company for code compliance fees, up to a maximum of \$12,500;

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- an economic development incentive in the form of a reimbursement of up to 15% of costs incurred by the company for new capital equipment purchased for the plant, up to a maximum of \$300,000;
  - an economic development incentive in the form of a reimbursement of up to 52% of costs incurred by the company for renovations to an existing building to be purchased by the company for a permanent plant location in San Angelo, up to a maximum of \$575,000;
  - an economic development incentive in the form of a reimbursement of up to 25% of costs incurred by the company for building
  - lease fees for a facility in San Angelo prior to purchase of a building for a permanent location in San Angelo, up to a maximum of \$108,000;
  - an economic development incentive in the form of a reimbursement of up to 100% of costs incurred by the company for personal and real property taxes paid to the City of San Angelo for any newly acquired or increased property value for up to five years from purchase and/or acquisition, up to a maximum of \$94,339; and,
  - an economic development incentive in the form of \$1 per year lease for space in The Business Incubator located at 2009 West Beauregard for up to three years in lieu of reimbursement of lease costs.