



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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CUSTOMER ASSISTANCE
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DATE: March 5, 2002
TO: Michigan Economic Growth Authority
FROM: Harry Whalen, Vice President
Global Business Development *AW*

SUBJECT: Briefing Memo – CTS Management, L.L.C.

COMPANY NAME AND ADDRESS:

CTS Management, L.L.C.
624 Martin Luther King Jr. Way
Tacoma, Washington 98405

HISTORY OF COMPANY:

CTS Management, L.L.C. was incorporated in Washington this year to provide for expansion of drug testing, IT and administrative operations. CTS Management is a subsidiary of Comprehensive Toxicology Services (CTS), a Washington company incorporated in 1987. CTS is a diagnostic testing laboratory, specializing in drug testing. Neither CTS Management nor CTS have a presence in Michigan at this time.

PROJECT DESCRIPTION:

CTS Management plans to expand its business in the Midwest by opening a new toxicology laboratory. Expansion in the Midwest is ideal due to CTS' current presence on both coasts and the competitive and logistical advantages a Midwest operation would bring to CTS. The company proposes to build a 40,000 square foot, state of the art laboratory for oral fluid and urine drug testing in Kalamazoo. In addition to the laboratory, CTS will also move some administrative and IT staff into a leased office building in downtown Kalamazoo. In total, the company would add 191 jobs (155 at laboratory) with an average weekly wage of \$494. Total capital investment for the project would be approximately \$8.3 million, including \$6 million for the new lab building, \$1.4 million for new lab and office equipment and \$900,000 for capitalized lease costs and leasehold improvements to the office building. The alternative location being proposed is in Elkhart, Indiana.

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Building construction would begin in May of this year with completion expected in October. Once the facility is completed, equipment installation and testing will take two months. Full operations are expected to begin in January 2003.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 205 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 \$6.0 million (2002 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, CTS Management compared the costs of the project in Kalamazoo and Elkhart, Indiana and found that building costs were the main differential. In Elkhart, the company was offered an existing lab building that would provide additional space that could then be leased back to the owner at a price sufficient to cover all of the building costs. Therefore, the company would have significantly lower building costs in Indiana.

OTHER STATE AND LOCAL ASSISTANCE:

Due to the type and level of investments being proposed, the company may be eligible for an Investment Tax Credit of up to \$44,900.

The City of Kalamazoo will provide a 50 percent abatement of the company's new personal property for six years. In addition, the City is expected to approve a 50 percent abatement of any real property improvements for 12 years, once that phase of the project begins construction. The estimated value of both of these local abatements is \$1,112,200. In addition, Southwest Michigan First (SMF) will provide, as part of the local attraction package, a forgivable loan of \$150,000. The loan will be forgiven on the condition that CTS relocates equipment from Elkhart and with the creation of 150 jobs at the new lab. SMF will also provide a grant up to \$25,000 for facility costs at a temporary location and for relocation costs.



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RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 10-year employment tax credit of 100 percent for the initial five years and 50 percent for the last 5 years, for up to 191 net new employees.