



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

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**MEMORANDUM**

**DATE:** August 14, 2007  
**TO:** Michigan Economic Growth Authority  
**FROM:** Mark Morante, Vice President  
Development Finance

Amy Banninga, Project Team Manager  
Development Finance

**SUBJECT:** Briefing Memo – Caraco Pharmaceutical Laboratories, Ltd.  
Standard Credit

**COMPANY NAME AND ADDRESS:**

Caraco Pharmaceutical Laboratories, Ltd.  
1150 Elijah McCoy Drive  
Detroit, Michigan, 48202

**HISTORY OF COMPANY:**

Caraco Pharmaceutical Laboratories, Ltd. manufactures generic pharmaceuticals for the United States and other markets. Caraco was established in Detroit in 1984 to manufacture generic pharmaceuticals. In 1991, it constructed a 70,000 square foot facility in Detroit's New Center Area, pursuant to a \$9.1 Million loan from the Economic Development Corporation of the City of Detroit. Caraco had its initial public stock offering in 1994, and began a significant expansion in 1997 when it entered into a technology transfer agreement with Sun Pharmaceutical Industries. Caraco continues to expand as the demand for generic pharmaceuticals increases, currently employing 598 associates at facilities in southeast Michigan.

**PROJECT DESCRIPTION:**

Caraco has outgrown its existing manufacturing facility in the City of Detroit and has proposed a significant expansion of its operations that will require an investment of \$14.5 million in new construction and machinery and equipment. As a result of this 140,000 square foot expansion, Caraco will create up to 598 new jobs in Detroit over the next five years, with average weekly wages of \$730.

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**BENEFITS TO STATE:**

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 1,648 jobs in the state by the year 2017. It is also estimated that the project would increase total state government revenues through the year 2017, net of MEGA cost and adjusted for inflation, by \$40.7 million (2007 dollars) due to the location of this facility.

**BUT FOR:**

Caraco is also considering the area surrounding Charlotte, North Carolina, and areas of South Carolina. South Carolina has offered a generous incentive package, and the company would also benefit from lower wages and taxes in South Carolina.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Detroit has approved a 100% abatement of the company's new personal property taxes under PA328 for the first five years, followed by a 50% abatement of new personal property taxes under PA198 for seven years. They have also approved a 50% abatement of new real property taxes for 12 years, which the State of Michigan has agreed to supplement with a 100% abatement of the State Education Tax over the same term. The estimated value of these abatements, coupled with personal property tax savings from the new Michigan Business Tax is \$5,704,000.

In addition to these abatements, MEDC staff is working with the Michigan Department of Labor and Economic Growth, Henry Ford Community College, Wayne State University and Detroit Michigan Works! to develop and implement a customized recruitment and training program for new and existing Caraco employees.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for ten years, for up to 598 net new employees.