


John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: August 14, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell 

SUBJECT: Briefing Memo - Gelman Sciences Inc.

COMPANY NAME:

Gelman Sciences Inc.
600 South Wagner Road
Ann Arbor, Michigan 48103-9019

HISTORY OF COMPANY:

Gelman Sciences Inc. was established on July 28, 1959, as Gelman Instrument Company. It changed its name to Gelman Sciences in 1979. The company designs, manufactures, and markets a comprehensive line of specialty microfiltration products for the biotechnology, pharmaceutical, and healthcare industries. Specifically, the company manufactures products for the diagnosis of cancer, multiple sclerosis, and diabetes. They also manufacture adult IVs, spiral pack filters, and many other products. The company has operations in Pensacola, Florida (58,000 square feet) and Pleasanton, California, as well as in Scio Township near Ann Arbor, Michigan. Gelman Sciences also has operations in Japan, Germany, and France. The Scio Township facility consists of the company's headquarters, manufacturing, and warehouse operations. Total square footage is approximately 110,000 square feet. The company is publically traded and can be found on the American Stock Exchange under the symbol GSC. Total Michigan employment is 546 full time jobs.

PROJECT DESCRIPTION:

The company is experiencing increased demand for certain of its products, particularly its adult IV and spiral pack filters which are used in laboratory applications. As a result of this demand, the company is considering expanding several production lines either in Pensacola, Florida, or Scio Township, Michigan. This expansion will result in the company investing approximately \$16 million, in addition to creating 150 new jobs in 3 years. The average weekly wage at this facility is approximately \$600. Total incremental payroll at full production is estimated to be \$4.7 million annually.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 336 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$12,455,000 due to the presence of the Gelman Sciences Inc. expansion.

This project would create a total of \$204 million (1995 dollars) in personal income by the year 2011 for Michigan residents. It would also contribute approximately \$1.1 million to local governments and schools through tax payments over 12 years.

COST ANALYSIS:

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Pensacola, Florida, and Scio Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Gelman Sciences Inc. to locate its expansion in Scio Township, Michigan, rather than Pensacola, Florida, ranges from \$457,000 to \$1,065,000 over the term of the incentive. The cost differential is primarily attributable to employee and tax costs.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to reduce the variance in cost and to provide an incentive to attract this investment.

Briefing Memo
Gelman Sciences, Inc.
August 14, 1995
Page 3

LOCAL FINANCIAL ASSISTANCE:

Local assistance from Scio Township includes a 50 percent property tax abatement valued at nearly \$1.1 million over twelve years.

RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 15 years. Additionally, the Michigan Jobs Commission recommends a MEGA business activity credit of 100 percent for a period of 5 years. The employment credit is for a maximum of 150 new jobs.