



MEMORANDUM

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DATE: May 7, 2002
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: High-Tech Briefing Memo –
Perrigo Research & Development Company

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COMPANY NAME AND ADDRESS:

Perrigo Research & Development Company
515 Eastern Avenue
Allegan, Michigan 49010

HISTORY OF COMPANY:

Perrigo Research & Development Company is a newly established wholly-owned subsidiary of Perrigo Company and will be responsible for all domestic research and development conducted by Perrigo Company and Subsidiaries. Perrigo Company was established in 1887 and is the nation's largest manufacturer of store brand over-the-counter (OTC) pharmaceutical products. The company also manufactures store brand nutritional products. Perrigo Company's customers include major national and regional drug, supermarket and mass merchandise chains such as Albertson's, CVS, Kmart, Kroger, Safeway, Target, Walgreens and Wal-Mart. Perrigo Company currently has over 2,500 employees in Michigan. Perrigo Research and Development Company currently has no employees in Michigan.

PROJECT DESCRIPTION:

The company would expand their research and development activities by constructing an Analytical Research and Development Laboratory. The proposed 6,365 square foot expansion will be at its existing campus in Allegan or in Greenville, South Carolina, where the company has existing operations. The company would add 5 new jobs in the first year and 25 jobs over five years paying an average weekly wage of \$865. The company would also transfer approximately 90 current employees from Perrigo Company to Perrigo Research and



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Development Company, although many of the new employees would not move to the new facility. Capital investment for the project would total \$1.6 million, including \$1.2 million for the building and \$400,000 for new furniture, fixtures and equipment. Depending on the success of the project, a second phase may include an additional \$1.5 million investment.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 31 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 \$1.2 million (2002 dollars) due to the presence of this facility.

BUSINESS CASE:

Perrigo has the option of locating this expansion at its existing campus in the City of Allegan or next to an existing facility in Greenville, South Carolina. The Greenville location is attractive to the company due to lower wage and benefit costs. This differential could be as much as \$150,000 per year once the project is fully staffed. In addition, the company will have minimal corporate income tax obligations in South Carolina due to the research and development nature of the expansion.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 50 percent of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$26,800.

The City of Allegan has proposed a 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of this local abatement is \$241,900.



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RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for ten years for up to 25 net new employees.