



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: May 27, 2003

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Smiths Aerospace, Inc.
High-Technology Credit

COMPANY NAME AND ADDRESS:

Smiths Aerospace, Inc.
3290 Patterson Avenue, S.E.
Grand Rapids, Michigan 49512

HISTORY OF COMPANY:

Smiths Aerospace is a British-owned company that designs and produces integrated avionics equipment for the military and civilian aviation industry. The company's products fly on virtually every U.S. and U.K. military aircraft and on more than 30 types of civilian aircraft flown by hundreds of airlines worldwide. The Electronic Systems Division of the Aerospace group is headquartered in Grand Rapids, where the company currently has 1,165 employees.

PROJECT DESCRIPTION:

The proposed project is for an integrated laboratory to design, study and test avionics systems and components, mainly for future military aircraft. The project would locate in an existing facility in Cascade Township, where the company would lease 44,000 square feet. Also under consideration is a company facility in Germantown, Maryland. Smiths Aerospace would add 55 new jobs in the first year of the project and 120 new jobs over three years, paying an average weekly wage of \$1,000.

Capital investment for the project would total \$5.4 million, including \$2.6 million for building improvements and lease costs and \$2.8 million for new computers, furniture and fixtures, and test equipment. Operations at the new facility would begin in August of 2003.

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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 214 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by \$4.6 million (2003 dollars) due to the presence of this facility.

BUSINESS CASE:

Smiths Aerospace has the option of locating this expansion near its existing facility in Cascade Township or at a facility they operate in Germantown, Maryland that has excess capacity. The Maryland location is attractive to the company because they have existing space, in a facility that is currently underutilized. In Michigan, an expansion would require additional space, increasing costs due to lease payments and building upgrades. This differential could be as much as \$325,000 per year. In addition, the company would face higher business taxes in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$10,500.

Cascade Township has approved a 50 percent abatement of the company's new personal property taxes for 10 years. The estimated value of this local abatement is \$116,700. The abatement was approved on April 30, 2003.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for nine years for up to 120 net new employees.