



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** June 21, 2005  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Smiths Aerospace, LLC  
High-Technology Credit

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**COMPANY NAME AND ADDRESS:**

Smiths Aerospace, LLC  
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 the Grand Rapids area (Cascade Township), where the company currently has 1,332 employees. Smiths Aerospace has been awarded two previous MEGAs, the first in February 1998 for the transfer of certain research and development functions to Michigan and the most recent in May 2003 for a military avionics test laboratory.

**PROJECT DESCRIPTION:**

The proposed project is for a Financial Shared Service Center for Smiths Electronic Systems. The new center will be used as a help desk for Information Systems and for the processing and reporting of financial information for North America. The company would lease 15,000 square feet in a newly constructed office building in Cascade Township. Smiths Aerospace would add 35 new jobs in the first year of the project and 65 new jobs over four years, paying an average weekly wage of \$830. In addition, the company would transfer 20 existing workers from their current Grand Rapids operations.

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Capital investment for the project would total \$2.4 million, including \$1.7 million for capitalized lease costs and leasehold improvements and \$750,000 for new computers and office furniture. Operations at the new facility would begin in August of 2005.

**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 76 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 \$646,000 (2005 dollars) due to the presence of this facility.

**BUSINESS CASE:**

Smiths Aerospace is considering both Cascade Township and Pinellas County, Florida for the Financial Service Center. The Florida location is attractive to the company because a salary review comparison between facilities in Pinellas County and Grand Rapids indicated higher wages in Michigan. This differential was estimated to be about \$130,000 per year when the facility was fully staffed. In addition, the Michigan location is at a disadvantage due to the structure of the Single Business Tax.

**OTHER STATE AND LOCAL ASSISTANCE:**

Cascade Township has proposed a 50 percent abatement of the company's new personal property taxes for eight years. The estimated value of this local abatement is \$34,000. Cascade Township is expected to approve the abatement by July 27, 2005.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a six-year high-technology employment credit of 100 percent for three years and 50 percent for three years, for up to 65 net new employees.