



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: May 17, 2005

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development

SUBJECT: Briefing Memo – Stryker Corporation
High-Technology MEGA Credit

COMPANY NAME AND ADDRESS:

Stryker Corporation
2725 Fairfield Road
Kalamazoo, Michigan 49002

HISTORY OF COMPANY:

Stryker Corporation is a leader in the worldwide orthopedic market and is one of the world's largest medical device companies. Stryker provides products for joint replacements, trauma, spine and micro implant systems, orthobiologics, powered surgical instruments, surgical navigation systems and endoscopic products, as well as patient handling and emergency medical equipment. The company also provides outpatient physical therapy services. The company began in 1941 as the Orthopedic Frame Company and changed its name to Stryker Corporation in 1964. Today, the company is a publicly-traded company with sales of \$4.2 billion. The company is headquartered in Kalamazoo, where it has over 1,400 employees.

PROJECT DESCRIPTION:

Stryker has outgrown their current headquarter building in Kalamazoo and need to relocate to a larger facility. The company is considering building a new building in Kalamazoo or relocating their headquarter operations to Mahwah, New Jersey. If the company maintains operations in Michigan, they would construct a 75,000 square foot building on land next to their current leased facility. The project would lead to the relocation of 84 existing employees and the addition of 23 new jobs in the first year of the project, up to 63 new jobs over five years, and up to 100 new jobs over the next nine years. The new positions will pay an average starting weekly wage of \$1,153.

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Briefing Memo
Stryker Corporation
May 17, 2005
Page Two

Total capital investment for the project would be approximately \$20.4 million, including \$15.4 million for land and building costs and \$5.0 million for new office furniture and computers.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 165 jobs in the state by the year 2025. Total state government revenues through the year 2025, net of MEGA costs and adjusted for inflation, would be increased by \$15.7 million (2005 dollars) due to the presence of this facility.

BUSSINESS CASE:

In addition to Kalamazoo, Stryker is also considering a site in Mahwah, New Jersey, where they have their Orthopedics Division and a new training center. Stryker has determined that a location in Kalamazoo will lead to greater recruitment and travel costs for their operations. The company has found that recruiting people from the coasts to Kalamazoo is difficult and leads to higher costs and a more limited pool of workers. In addition, the company faces significantly higher costs for worldwide travel originating in Kalamazoo compared to New Jersey.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local real property tax abatement. The value of this abatement is estimated at \$576,900. In addition, an application for a Transportation Economic Development Fund (TEDF) Grant for road infrastructure improvements from the Michigan Department of Transportation will be supported. The approximate value of this funding request is \$350,000.

The City of Kalamazoo has proposed a 100 percent PA 328 personal property tax abatement for five years, and a 50 percent PA 198 real property tax abatement for 12 years. The estimated value of the PA 328 abatement is \$471,600 and the estimated value of the PA 198 abatement is \$2.9 million. Final approval of the abatements is expected on May 16, 2005.



Briefing Memo
Stryker Corporation
May 17, 2005
Page Three

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for 20 years, for up to 100 net new employees.