



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: August 19, 2008  
TO: Michigan Economic Growth Authority  
FROM: Val Hoag, Director  
Portfolio Management & Packaging

Greg West, Project Specialist  
Business Development and Attraction

SUBJECT: Briefing Memo – Terumo Cardiovascular Systems  
High-Technology MEGA Credit

COMPANY NAME:

Terumo Cardiovascular Systems  
6200 Jackson Road  
Ann Arbor, Michigan 48103

HISTORY OF COMPANY:

Terumo Cardiovascular Systems (TCVS) manufactures and markets a broad portfolio of medical products that are sold to hospitals worldwide. The products include Heart/Lung Machines, Oxygenators, Cannulae, Blood Parameter Monitors, Tubing Packs and Vein Harvesting Devices. TCVS is focused primarily on products related to heart and vascular surgery. The company considers the US market, specifically the cardiovascular market that TCVS is in, to be its main area of opportunity for growth in the future

TCVS is a subsidiary of Terumo Corporation based in Tokyo, Japan. Terumo Corporation was established in 1921. TCVS, with its global headquarters in Ann Arbor, Michigan, was established in 1999 when Terumo purchased certain business units from 3M Company.

TCVS currently has 304 employees in Michigan.

PROJECT DESCRIPTION:

TCVS currently has a facility in Tustin, California and is relocating its operations to an existing TCVS site in Ann Arbor, Washtenaw County. The operations involved in the plant relocation include research and development as well as manufacturing. The R&D and manufacturing is centered on medical products, more specifically, high-technology blood parameter monitoring devices that are used during open heart surgery. The products are used in 40% of all open heart surgeries in the United States.

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The project would necessitate a 14,000 square foot expansion of the existing facilities in Ann Arbor to accommodate the additional operations and the construction of a chemistry lab. Total investment over five years will be approximately \$3.57 million. This project will create 65 new jobs with an average weekly wage of \$931. The company will also offer health care benefits and pay a portion of the benefit costs.

**BENEFITS TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 157 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$4 million (2008 dollars) due to the creation of these new jobs.

**BUSINESS CASE:**

Alternatively, the company has considered locating this project at its Elkton, Maryland facility. If the Tustin, California operations are relocated to Michigan, rather than to Maryland, the capital investment required will be \$3,350,000 higher. This is because the TCVS facility in Elkton already has enough available space to absorb the relocating operations, whereas the Ann Arbor site would need a 14,000 square foot building addition to accommodate the relocating operations. While there are some other factors, the major disadvantage of relocating this project to Michigan is the \$3,350,000 cost for the addition to its current facility.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Township of Scio supports the project and anticipates approving an eight-year PA 198 tax abatement within the next 60 days.

**QUALIFYING HIGH-TECHNOLOGY ACTIVITY:**

The company is a qualified high-technology business, whose primary business activity is Medical Device Technology, as defined in the Act.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 65 net new employees.