




MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: September 19, 2006
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President
Business Development 
SUBJECT: Briefing Memo – The Tech Group
Standard MEGA Credit

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COMPANY NAME AND ADDRESS:

The Tech Group Grand Rapids
3116 N. Wilson Court NW
Walker, MI 49534

HISTORY OF COMPANY:

West Pharmaceutical Services, Inc. is the parent company of Tech Group Grand Rapids, Inc. Activity for both West Pharmaceutical Services, Inc and the Tech Group Grand Rapids, Inc. includes the design and manufacturing of medical devices and components as well as designing and manufacturing the technology to accomplish that task. These components and systems are regulated, in many cases, by the FDA. Their product lines include medical filter assemblies for IV sets, respiratory and other IV and medical/surgical applications.

The Tech Group Grand Rapids facility is a custom injection molding facility. Its principal product and services are manufacturing and assembly of medical components. The Tech Group, Inc. was purchased by West Pharmaceuticals in April 2005.

PROJECT DESCRIPTION:

In the early months of 2006, The Tech Group was informed by its landlord that it would have to vacate its current Grand Rapids facility. While the parent company strongly considered closing the Grand Rapids facility, it was decided to instead move production to a new facility and a reuse facility was identified in Walker, MI. Since the decision to move to the new location was made, West Pharmaceutical Services has been presented with an opportunity to expand its operations through a six year sourcing agreement and has been considering where to place the new work. The Tech Group Grand Rapids has bid for the project.



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While the Walker facility has space for the new work, leasehold improvements will be required to make the facility ready to handle the new project. Should the work come to MI, it would require the hiring of an additional 90 people immediately with additional growth possible over the next several years. The average hourly wage for the project will be \$14.00.

The total capital investment anticipated with this project is \$12.4mm.

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 164 jobs in the state by the year 2013. Total state government revenues through the year 2013, net of MEGA costs and adjusted for inflation, would be increased by \$2,964,000 (2006 dollars) due to the presence of this facility.

BUT FOR:

The new work could be manufactured at a variety of existing West Pharmaceutical locations including PA, AZ, Puerto Rico or Mexico. At another facility the company would have substantially lower costs related to both the initial start up and ongoing labor costs. All of the alternate facilities are currently in operation and hold the requisite FDA registrations, and West could readily manufacture the new product line at any of these locations.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Walker has approved the transfer of the remaining term of an existing IFT Exemption Certificate covering the 3116 N. Wilson Court NW building. The estimated value of the remaining abatement is \$182,615.

The City of Walker also plans to grant an abatement relating to both the building renovation and improvements that the applicant plans for the Walker facility and the machinery and equipment that the applicant plans to purchase for use in the applicant's industrial processing activities at the Walker facility. The estimated value of this abatement is \$936,619.

In addition, 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 \$309,867.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years, for up to 105 net new employees.