



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

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MEMORANDUM

DATE: November 20, 2001
TO: Michigan Economic Growth Authority
FROM: Kathleen J. Blake, Senior Vice President *KJB*
Business Development
SUBJECT: Briefing Memo – Warner-Lambert Company

COMPANY NAME AND ADDRESS:

Warner-Lambert Company
235 East 42nd Street
New York, NY 10017-5755

HISTORY OF COMPANY:

Warner-Lambert Company is a wholly owned subsidiary of Pfizer, Inc. Pfizer, Inc. acquired Warner-Lambert in June 2000. The Warner-Lambert Company owns Parke Davis and Company. The combined companies engage in the business of research, development, manufacture and marketing of pharmaceuticals and other related health care products globally. Warner-Lambert currently has 3,010 employees in Michigan.

PROJECT DESCRIPTION:

The project consists of an expansion of the company's research and development capabilities, which can occur at either the company's site in Ann Arbor, Michigan, or at its parent company's corporate headquarters in Connecticut. The project would allow the company to build new research and development laboratories, investing an estimated \$730 million over a 5-year period and creating up to 600 net new jobs. These positions would pay an average weekly wage of \$1154 and a benefit package worth approximately 30 percent of wages. An additional 15 percent of wages are pre-tax 401K contributions that are not counted in the average weekly wage number. Operations at the expanded facility will begin in January 2003 and employment is estimated to increase by 200 employees per year after that date.

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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 988 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs and adjusted for inflation, would be increased by \$89 million (2001 dollars) due to the presence of this facility.

BUT FOR:

In deciding where to locate the expansion of its research and development capabilities, the company primarily looked at Ann Arbor, Michigan and New London, Connecticut. The largest hurdles Michigan had to overcome were land constraints at the Ann Arbor location and a tax structure in Connecticut that allows the company to enjoy a corporate tax-free environment. The University of Michigan agreed to let the company purchase land adjacent to the company's current facility, which removed that hurdle, however, it is estimated that in Michigan the company will expend an additional \$90 million over the next 20 years over and above the cost in Connecticut. The MEGA is needed to help bridge that average annual cost gap of \$4.5 million. The company has indicated that, with the MEGA, the project will move forward at the Ann Arbor location due to the excellent workforce it has been able to attract there, as well as the cooperation and support received from the City of Ann Arbor and the State of Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will offer an abatement of 100 percent of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$10,790,000. In addition, the state will offer the company an Economic Development Job Training grant of up to \$1.2 million for up to 600 net new jobs over a three-year period.

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The City of Ann Arbor will provide an abatement of 50 percent of the real and personal property taxes for a period of 12 years. The estimated value of this abatement is \$47,764,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for up to 600 net new jobs for a period of 20 years.