



**WHY KALAMAZOO:
A Locational-Opportunities
Analysis for Life Sciences Companies**

KALAMAZOO

A Community Focused on Life Sciences and Innovation

EXECUTIVE SUMMARY

Long a center for scientific innovation, the Kalamazoo Region has become one of the nation's select locations for life sciences businesses and entrepreneurs. Firms are attracted to the Kalamazoo Region for a number of reasons – the excellent quality of life, a population of highly educated workers, a pro-business environment – but in particular because Kalamazoo is a community that supports strong, innovative ideas. Efforts are focused on helping venture firms and entrepreneurs work together for success. Companies have access not only to venture funding, but to business development experts, industry leaders, angel investors and other successful entrepreneurs who can help in the creation and review of business plans, sales and marketing efforts, and provide insight in to successful business practices.

- ◆ **Capital:** The Southwest Michigan Life Science Venture Fund consists of \$50 million for entrepreneurs looking to grow a business in the Kalamazoo Region. The area also boasts a growing local venture capital community and angel network.
- ◆ **Space:** With 58,000 square feet, the Southwest Michigan Innovation Center is the state's first and largest wet lab incubator-accelerator. The area is also home to several business parks, plenty of build-to-suit space and existing sites for small and large life science companies, making Southwest Michigan a great place for both aspiring entrepreneurs and existing companies.
- ◆ **Talent:** With more than 125 years of life science in our community's history, scientific innovation has become a part of our DNA. The Kalamazoo Region has a large pool of highly-educated and highly-skilled workers with all levels of experience in many different areas of life science. From pharmaceutical manufacturing to research and development, we have the skilled labor to support any life science company.
- ◆ **Support:** A variety of state and local incentive programs, as well as initiatives spear-headed by Southwest Michigan First are available to Kalamazoo area life sciences firms, entrepreneurs and investors.

Recent trends show that corporations looking to expand and new businesses are seeking out smaller communities because of tax structures, low business costs, pro-growth policies and affordable housing—communities like Kalamazoo. The following information will highlight some of the key resources and reasons why Kalamazoo has become a key destination for life sciences companies looking to locate and grow.

LOCAL INDUSTRY

According to a Milken Institute Report, which was commissioned by the Pharmaceutical Research and Manufacturers Association (PhRMA), the core competencies required by communities that expect to stay ahead of the consolidation curve happening within big pharma are:

- ◆ Diversified economy
- ◆ Access to facilities, talent and capital
- ◆ Ability to commercialize technology
- ◆ Ability to capture competitive funding resources

Kalamazoo has all of these competencies in place, supporting and nurturing existing life sciences companies, and poised to support continued growth in the industry.

Kalamazoo has successfully launched more than 25 life sciences companies since 2002, helping to make Michigan the fastest growing life sciences cluster in the nation. In addition to growing start-up companies, the Kalamazoo area is home to a number of strong existing life sciences companies, some of which have been in business for more than 100 years.

KALAMAZOO REGION LIFE SCIENCE COMPANIES

Company	Employees	Category
Pfizer, Inc.	5,000	Pharmaceutical manufacturing, R&D, animal health
Bronson Healthcare Group	3,000	General medical & surgical care
Borgess Health Alliance	2,440	General medical & surgical care
Perrigo Company	2,200	General pharmaceutical manufacturing
Stryker Corporation	1,400	Specialty surgical and medical projects
MPI Research	1,000	Full-service toxicology contract research organization
Michigan State University- Kalamazoo Center for Medical Studies	529	Educating medical students and providing general medical and surgical care in partnership with local hospitals
Kalsec, Inc.	200	Medicinal chemistry support to drug discovery programs at pharmaceutical and biotech companies
Richard-Allan Scientific	120	Equipment, supplies and services for the clinical laboratory and global scientific research markets
Micro Machine	86	Precision medical parts manufacturer
Charles River	85	Animal production (minimal laboratory testing)
AM Todd	70	Plant science
J. Rettenmaier USA, L.P.	48	Organic fibers
Pharmacia Diagnostics	45	R&D of blood testing products and instrumentation to aid in the accurate diagnosis of allergy
TecLab	40	Lab furniture
KAR Laboratories	33	Environmental laboratory testing and analytical services
Alliant International	30	Develops, manufactures and distributes a with an emphasis on the medical and aerospace industries
AvTech Laboratories, Inc.	17	Pharmaceutical laboratory testing; commercial analytical testing
Redline	16	Manufacturer of hospital beds
Kallexsyn, Inc.	15	Contract research company providing medicinal chemistry support to drug discovery programs
PharmOptima	12	Consultation and laboratory support to expedite drug discovery
Bridge Organics	10	Develops chemical compounds and mixtures for pharmaceutical, plastic and other industrial applications
Proteos	9	High quality proteins and peptides for the discovery process
CeeTox	8	In vitro toxicity screening of potential drug candidates
Amtower Corporation/ Nova Care	7	Orthopedic & prosthetic devices; medical equipment
AureoGen	5	Discovery and production of cyclic peptide-based drugs, through genetic engineering of cyclic peptide producing organisms
Medical Device Research Laboratory	5	Medical device research
ADMETRx	4	High-quality ADME profiling, data integration and analysis
Dill Instruments	4	Medical device manufacturer
Micromyx, LLC	4	Microbiology services, specializing in anti-infective discovery and development
ProNAi Therapeutics	4	Pre-clinical development stage company focused on bringing to market novel Nucleic Acid inhibitors
Covance Research Products	4	Innovative surgery and investigative services
Nanovir, Inc.	3	Drug discovery research for the human papilloma virus
Biosciences Research & Commercialization Center	2	Commercially focused and science-driven translational research center
NephRx	1	Discovery and development of therapeutic products for kidney failure/disease, and diseases of the GI tract
Actives International, LLC	1	Developing technology for plant extractions
NanoMed Pharmaceuticals, Inc.	1	Nanotechnology

Diversified Economy

The Kalamazoo region has a diverse economy, including large pharma and small life sciences research and development; distribution and logistics; automotive, food and furniture manufacturing; as well as the professional, service and support businesses that sustain a healthy economy.

Kalamazoo County, Michigan—Largest Private Employers

Pfizer, Inc.	Pharmaceuticals
Bronson Healthcare Group	General medical and surgical care
National City Bank	Banking
Borgess Health Alliance	General medical and surgical care
Stryker Corporation	Medical device
Meijer's Inc.	Retail/grocery
Summit Polymers Inc.	Plastic injection products
MPI Research	Toxicology contract research
Eaton Corporation-TCOA	Global engineering, truck components
Target Regional Distribution	Retail distribution center
MSU-Kalamazoo Center for Medical Studies	General medical and surgical care
SBC	Telephone communications
State Farm Auto Claims Center	Insurance claims processing
Parker Hydraulics Systems Division	Aerospace aircraft parts
American Greetings—Designware	Paper party goods
Benteler Automotive	Automotive supplier
Flowserve Corporation	Gaskets and seals
Checker Motor Corporation	Automotive stamping plant
Kalamazoo Gazette	Newspaper
Graphic Packaging Corporation	Paper mill/folding paperboard
MANN+HUMMEL	Plastic injection products
Dana Corporation	Global engineering, truck components
Eimo Inc.	Plastic injection products
Bowers Manufacturing	Aluminum products
Borroughs Corporation	Office furniture
International Paper	Paper products

MICHIGAN'S LIFE SCIENCE INDUSTRY

Michigan leads the nation as one of the fastest growing life sciences states in the nation, with more than \$2 billion invested in research and development each year and nearly 100 new companies formed since 2000.

Michigan's life sciences strengths include:

- 542 companies
- 31,777 employees working in the industry
- \$4.8 billion in sales
- 4th largest high tech workforce in the nation
- 2nd nationally overall in research and development expenditures
- 2nd most business friendly state in the nation, according to *Site Selection* magazine
- 1st nationally in percentage growth of new companies from 1999-2002
- \$178 million invested in four years in life sciences
- University of Michigan ranked #3 nationally in research and development

Source: Michigan Economic Development Corporation 2005

Additionally, Michigan's life sciences industry has outperformed the national average, growing 27 percent in employment, 32 percent in the number of firms and 165 percent in sales. Michigan ranks 10th in the nation for federal Small Business Innovation Research funding and within the last five years, the state has received nearly \$2 billion in grants from the National Institutes of Health.

CAPITAL

The Kalamazoo Region is home to four major venture funds. The latest addition to the local capital community is the \$50 million, Southwest Michigan First Life Sciences Venture Fund. This fund focuses on local life sciences ventures that are currently located in or will locate to the Kalamazoo Region. Recognizing the importance of strengthening the growing life sciences industry in the region, local and state efforts continue to create and support the financing needs of companies. (*Attachment A*)

In addition to these financing resources, a variety of state and local tax incentive programs can be customized for specific projects, with varying monetary values based on investment and job creation expectations. (*Attachment B*)

Competitive Funding Resources

Southwest Michigan First, the region's principal economic development organization and leader in the area's recent life sciences efforts, including the establishment of the Southwest Michigan Innovation Center, helped the community garner more than \$33 million from the State of Michigan for projects from 1999 to 2004, and has leveraged nearly \$300 million in public and private investments in life sciences initiatives since 2001.

ACTIVE VENTURE FUNDS

Southwest Michigan First Life Science Venture Fund

<http://www.southwestmichiganfirst.com/VentureFund.cfm>

Launched in November 2005, the SWMF Life Science Venture Fund consists of \$50 million in private funds dedicated solely to supporting companies with a presence in the Kalamazoo Region. This limited partnership is interested in early-stage life sciences opportunities in the region, and offers support services and equity investment to entrepreneurs.

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Apjohn Ventures

www.apjohngroup.com

This early-stage life sciences venture capital fund is based out of Kalamazoo. Another arm of the Apjohn family of companies, Apjohn Group, LLC, is a business accelerator that offers angel funding and assists companies with operational leadership.

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ARCH Development Partners

www.archdevelopmentpartners.com

ARCH Provides funding for science and technology-based innovations such as biotechnology, life sciences and software. Their team can help seed and pre-seed stage opportunities develop into strong innovative companies.

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TGap Ventures

www.tgapventures.com

TGap Ventures' general partners, Jack Ahrens and Pete Farner, have worked with more than 75 growth companies since 1979, offering many levels of assistance.

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FACILITIES

The Kalamazoo Region is home to a number of ideal sites for locating labs, research and development centers, testing centers and manufacturing facilities of all sizes. In addition to several prime independent facilities, the area boasts a 58,000 square foot wet lab incubator-accelerator and a Michigan Technical Education Center that houses several successful companies that do not require wet lab space.

Southwest Michigan Innovation Center

The Innovation Center is a 58,000 square-foot, state of the art wet lab incubator-accelerator designed to provide business and scientific support for new life science companies. By providing tenants with shared office and lab equipment, a pool of industry expertise, access to Western Michigan University students and faculty, educational opportunities and a cutting-edge facility at a lower subsidized rate than market costs, the Innovation Center has seen the successful growth of well over a dozen companies since it opened its doors in 2003.

Michigan Technical Education Center (M-TEC) at The Groves

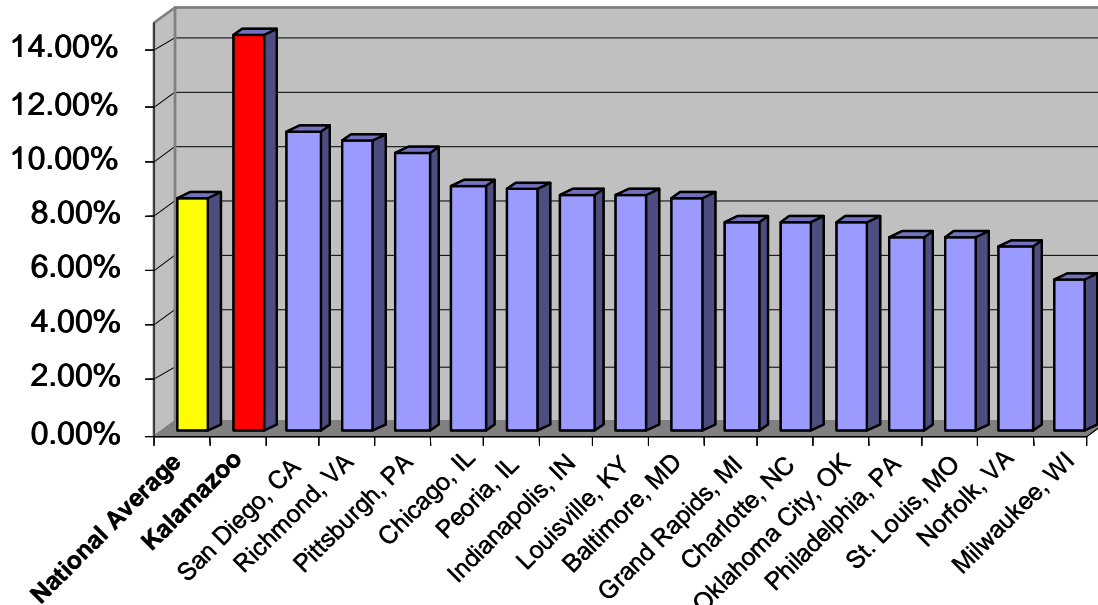
Kalamazoo's M-TEC at The Groves Business Park of Kalamazoo Valley Community College is an educational facility offering fully-customized workforce training for businesses and individuals. It also is home to nine science and technology-focused companies, including the Michigan High-Throughput Screening Center and the Radio Frequency Identification Technology Center.

EDUCATION

Kalamazoo area high schools are committed to preparing young men and women to excel as members of the region's workforce through top-notch K-12 education, several institutions of higher education and an array of training programs. Area high schools graduate 82 percent of their students and more than 88 percent of Kalamazoo residents over 25 years of age have a high school education or greater.

Education Level	Kalamazoo Region Average	National Average
High school graduates	82%	80%
Two-year college graduates	80%	76%
Four-year college graduate	21%	17%
PhD Graduates	14%	8.5%

Doctoral Degrees Per Capita



Source: Sperling's Best Places

The Kalamazoo Promise

Each and every Kalamazoo Public School graduate residing in the district and attending Kalamazoo Public Schools for four years or more is given up to 100% funding for college tuition and mandatory fees, depending on his or her length of attendance. The funds can be used at any public university or community college in the State of Michigan. These funds, donated by a group of anonymous citizens interested in economic strength and quality of life in the City of Kalamazoo, are guaranteed indefinitely. Learn more about the Kalamazoo Promise at www.kalamazoopublicschools.com.

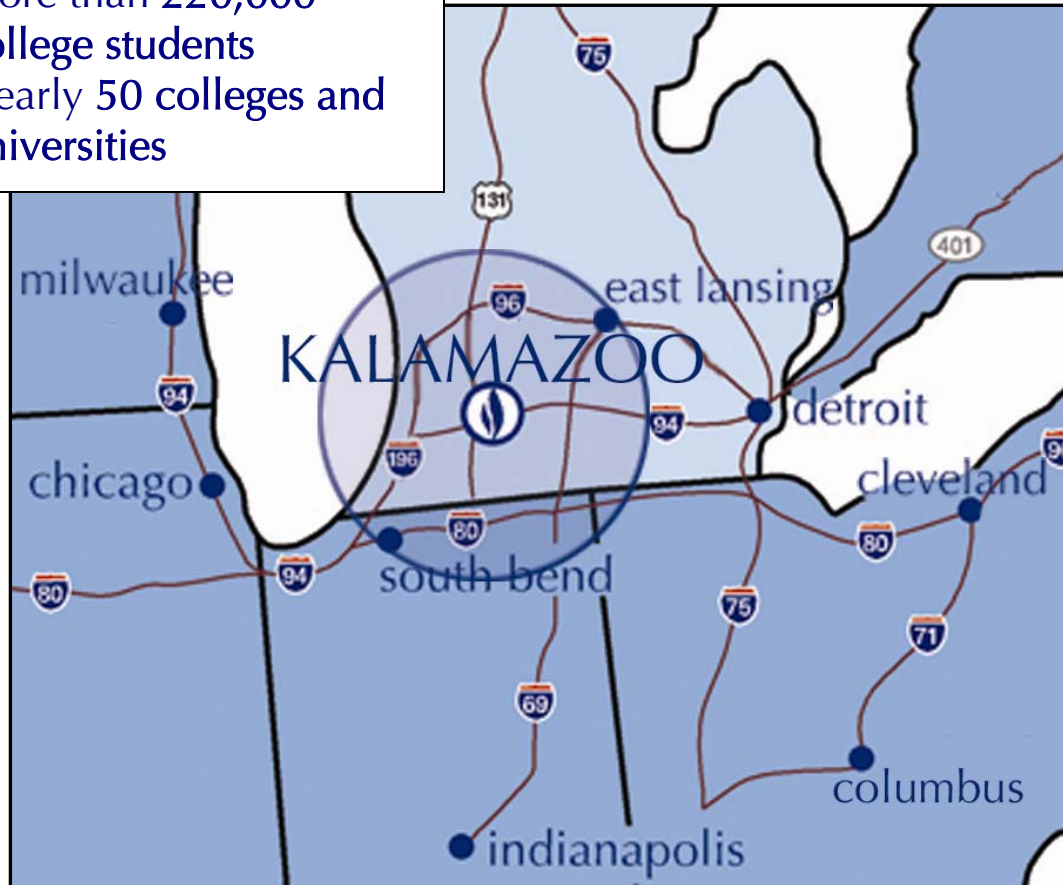
A College Town

The City of Kalamazoo is home to Western Michigan University (WMU), Kalamazoo College and Kalamazoo Valley Community College (KVCC). With 28,000 students, WMU is listed among U.S. News and World Report's Top 100 public universities in the nation. A fixture in Kalamazoo since 1833, Kalamazoo College is the oldest private college in Michigan and even though the school caps its enrollment at 1,500, it attracts scholars from 41 states and 22 countries around the globe. In 2002 a U.S. News and World Report article ranked Kalamazoo College and its Center for International Programs number one in the nation for study abroad. A leader in quickly responding to market needs with unique educational initiatives, KVCC has nearly 11,000 students enrolled in certificate or associate of applied science degree programs in more than 45 areas of study.

Additionally, there are nearly 50 colleges and universities within a 75 mile radius of Kalamazoo, with a total of more than 220,000 college students in the region:

Within a 75 mile radius of Kalamazoo:

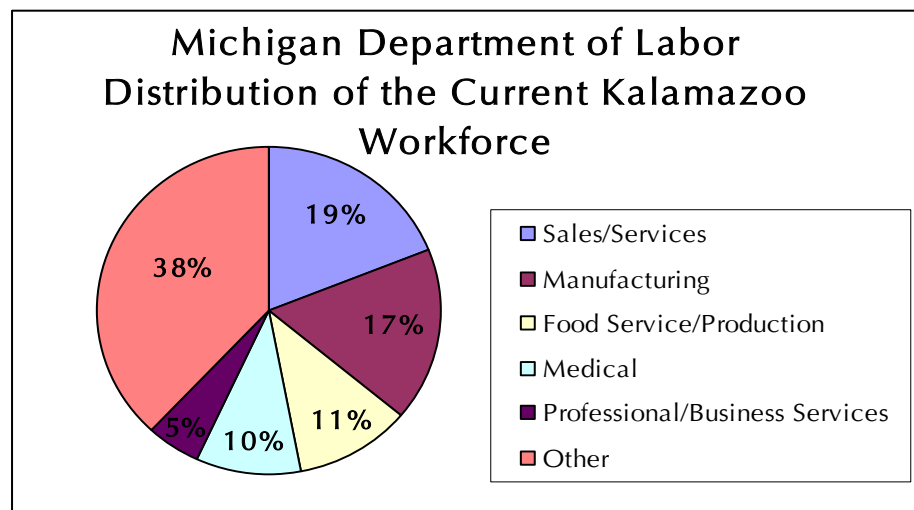
- ◆ More than 220,000 college students
- ◆ Nearly 50 colleges and universities



WORKFORCE

The Kalamazoo Region's workforce draws from a pool of extremely well-educated and highly-skilled individuals from an eight-county area. Residents represent a wide range of ages, educational backgrounds, work experience and desired pay ranges. Additionally, it should be noted that, despite Michigan's reputation as a union state, less than six percent of Kalamazoo's private workforce is unionized.

The chart and table below illustrates the wide range of skills and job experience held by members of the Kalamazoo Region workforce:



Kalamazoo's location along the I-94 NAFTA corridor and at the US 131 interchange makes it extremely easy to get to, allowing the community to draw workers from neighboring communities:

Commuters into Kalamazoo County from Surrounding Counties

Allegan County	4,020	Calhoun County	5,003
Barry County	2,413	Cass County	527
Berrien County	466	St. Joseph County	2,310
Branch County	192	Van Buren County	9,205

Source: United States Census

Kalamazoo's *Underemployed*

According to a 2005 study conducted by The Pathfinders, the Kalamazoo Region has a household population of approximately 630,200 and a civilian labor force of approximately 354,200. The area has about **58,400 available underemployed workers**. These potentially available workers are referred to as the “underemployed” because they possess the skills, experience and education to qualify them for pay rates at which they would accept a new job. The desired pay rates of these underemployed workers are reasonable when compared to their existing pay rates:

- ◆ The median current pay rate of underemployed workers is \$14.47 per hour, and the median desired pay rate is \$15.05 per hour.
- ◆ About 25% of the underemployed workers would take a new job for \$10.79 per hour or less.

Pay Rates of Underemployed Workers in the Kalamazoo Region

Hourly Pay Rate	Number of available underemployed workers	Hourly Pay Rate	Number of available underemployed workers
\$7.99 or Less	900	\$20.00 - \$20.99	1,800
\$8.00 - \$8.99	2,400	\$21.00 - \$21.99	700
\$9.00 - \$9.99	2,100	\$22.00 - \$22.99	1,500
\$10.00 - \$10.99	4,100	\$23.00 - \$23.99	400
\$11.00 - \$11.99	900	\$24.00 - \$24.99	900
\$12.00 - \$12.99	3,200	\$25.00 - \$25.99	100
\$13.00 - \$13.99	1,800	\$26.00 - \$26.99	900
\$14.00 - \$14.99	1,800	\$27.00 - \$27.99	300
\$15.00 - \$15.99	2,100	\$28.00 - \$28.99	100
\$16.00 - \$16.99	1,200	\$29.00 - \$29.99	700
\$17.00 - \$17.99	1,200	\$30.00 - \$30.00	1,200
\$18.00 - \$18.99	700	\$31.00 or More	2,400
\$19.00 - \$19.99	1,200		

Source: The Pathfinders 2005

Employment Skills of Underemployed Workers*

Skills	Number of Persons	Percentage
Office Operations	22,500	65%
Warehouse/Materials Handling	17,300	50%
Manufacturing/Assembly/Fabrication	20,100	58%
Medical/Health Sciences	9,000	26%
Maintenance/Installation Repair	14,200	41%
Technician/Quality Assurance	11,100	32%
Information Technology/Telecommunications	10,700	31%
Electronics/Engineering	5,200	15%

Source: The Pathfinders 2005

**Many people indicated multiple skills, which makes the sum of the percentages equal more than 100%.*

WORKFORCE TRAINING

Attracting and retaining talented employees who can help companies keep up with the ever-changing demands of the global marketplace is a tough challenge for employers, but the resources available in the Kalamazoo Region make it easy. The area boasts several workforce training programs that allow local firms to keep their employees at the forefront of new information, methods, skills and techniques.

The Michigan Technical Education Center (M-TEC)

M-TEC at Kalamazoo Valley Community College (KVCC) works with companies and universities to provide training programs that help build a stronger workforce for the community. In addition to several established training programs ranging from manufacturing to information systems technology, the center can help companies create customized training solutions to meet unique requirements.

Michigan Works!

The program connects people who need jobs with companies who need to fill jobs throughout the state. Funded by state and federal governments through the Michigan Department of Labor and Economic Growth, Michigan Works! is a free service to both employers and job seekers.

Kalamazoo County Service Center

Employment services are available locally at Kalamazoo County's Service Center. Here, job seekers and employers can access a wide range of employment and training services through the Michigan Talent Bank, an Internet-based labor exchange. They also receive assistance with recruitment events, interviewing, employee training, workshops, screening applicants, collecting applications and space for small job fairs.

Education for Employment

Selected as one of five exemplary school-to-work transition programs in the nation, and personally recognized in 1994 by President Clinton, Kalamazoo County's Education for Employment program provides today's students with the skills, abilities and knowledge needed to succeed in today's workforce.

Through cooperative efforts with area school systems, Kalamazoo Valley Community College and business and industry, Education for Employment offers courses for middle school and high school students that combine academic classes with hands-on learning and workplace training. These courses allow students to gain the workplace skills and attitudes needed to succeed in today's ever-evolving workplace before graduating from high school.

Michigan's Economic Development Job Training Program

This state program is a major feature of the state's economic development efforts, seeking to ensure that Michigan has the training resources to retain and attract smart businesses and skilled people.

SUPPORT

Support for Entrepreneurs

Southwest Michigan First and the Kalamazoo Region provide unparalleled support for entrepreneurs. Here, innovative thinkers will find the people, organizations, resources and tools to help them turn their bright ideas into successful companies. Access to assistance in everything from building a business plan to commercialization of a product or service and introductions to the people who can provide expertise on anything from mastering a challenging scientific technique to the multiple phases of funding can all be found in the Kalamazoo Region.

Support for Existing Life Science Companies

The Kalamazoo Region is also incredibly supportive of existing life science companies. With global headquarters for companies like Stryker Corporation and Pfizer Animal Health, we have a comprehensive understanding of what it takes for our current life science companies achieve even greater success in Southwest Michigan. The staff of Southwest Michigan First works with the leaders of existing businesses here to provide assistance in working with local and state government to identify the best ways for each individual company to grow.

SUMMARY

Kalamazoo has long been known as a center for scientific innovation. The Kalamazoo Region recognizes the importance of life sciences companies to diversify and grow its economy. To that end, the community continues to focus on innovation, becoming innovators, themselves, as they develop programs and that identify, fund and launch life sciences companies that will grow in the Kalamazoo Region.

From wet lab space to manufacturing sites, venture funds to angel investors, business experts to commercialization assistance, Southwest Michigan First and the Kalamazoo Region can help entrepreneurs take a great idea from concept to production.

For More Information

This document is intended as a broad overview highlighting factors of interest to those evaluating sites for administrative offices. To learn more about our history, personality and remarkable quality of life, we urge you to visit www.southwestmichiganfirst.com.

START-UP FUNDING RESOURCES AND OTHER ASSISTANCE PROGRAMS

KALAMAZOO AREA RESOURCES

Angel Networks

Angel investors can form a critical bridge between early business development and the later growth of an emerging business. These early-stage investors finance the development of business ideas and prepare a firm for later-stage financing by venture capitalists and private equity investors.

Angel investors typically focus on companies that have already developed basic concepts and business strategies, and are in the seed stage of investment. Many angel investors also offer their business expertise and actively participate in the management, operation and marketing of the business.

Angel Networks are groups of accredited investors who review companies for potential investment. Kalamazoo has a number of Angel investors actively pursuing opportunities.

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Biosciences Research & Commercialization Center

The Biosciences Research & Commercialization Center supports promising new life sciences ventures entering the commercialization phases of development in a number of ways, including:

- BioLaunch Pharmaceutical Development Services

This contract research group provides services ranging from discovery research to early Phase II clinical trials. The team is able to leverage the resources of the Biosciences Research & Commercialization Center, Western Michigan University and affiliated scientific and research organizations.

Industry-trained pharmaceutical research scientists and commercialization experts staff the group.

Fees for services are negotiable and can be structured to benefit the start-up venture.

- Start-up and Gap Funding Assistance

Promising new ventures or individual scientists can apply to the center for start-up and gap funding assistance.

The funding review process is managed by the Western Michigan University Research Foundation, which uses independent third-party scientific evaluators to assess applications and make recommendations to the Board of Directors of the Biosciences Research & Commercialization Center.

In addition, the center can help start-ups find additional venture capital funding through Southwest Michigan First.

- Facilities Equipment and Consulting

The Biosciences Research & Commercialization Center provides a range of services that start-ups may draw upon, such as:

- Scientific assistance
- Use of laboratory facilities
- Intellectual property consulting services
- Purchase of pharmaceutical services
- Help with FDA regulatory issues
- Clinical testing
- Referrals

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www.wmich.edu/brcc

STATE OF MICHIGAN RESOURCES

Michigan Technology Tri-Corridor

The Michigan Technology Tri-Corridor fosters growth in advanced automotive technologies, homeland security and life sciences industries through funding and resource collaboration, focusing on emerging technology sectors.

- Financing is available to companies and researchers through a competitive proposal process.

Kalamazoo area companies received nearly \$3.6 million in funding in 2004 and over \$2.8 million in 2005. Funding recipients included Aureogen Biosciences, Komodo Pharmaceutical Services and NephRx Corporation, ProNAi Therapeutics and suZyn.

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<http://medc.michigan.org/ttc/tricorridor/>

Core Technology Alliance

The Michigan Life Sciences Corridor Core Technology Alliance is a publicly-funded collaborative network of advanced technology facilities developed for use by Michigan researchers affiliated with universities, private research institutes and biotechnology or pharmaceutical firms. Services may be provided to organizations outside Michigan.

Core Technology Alliance satellite service facilities include:

- Michigan Animal Model Consortium
- Michigan Center for Biological Information
- Michigan Center for Genomic Technologies
- Michigan Center for Structural Biology
- Michigan Proteome Consortium
- Michigan Antibody Technology Core
- Michigan High Throughput Screening Center
- Michigan Biological Imaging Center
- Michigan Biosciences Research & Commercialization Center

These facilities serve as catalysts for development of life sciences and biotechnology research and business development throughout Michigan. They are located at:

- Kalamazoo Valley Community College, Kalamazoo
- Michigan State University, East Lansing
- University of Michigan, Ann Arbor
- Van Andel Research Institute, Grand Rapids
- Wayne State University, Detroit
- Western Michigan University, Kalamazoo

Start-up funding is provided by the Michigan Life Sciences Corridor Initiative.

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FEDERAL RESOURCES

Small Business Innovative Research and Small Business Technology Transfer

The Small Business Administration manages federal funding programs. They provide grant funding for exploration of the technical merit or feasibility of an idea or technology (Phase I) and research and development work and commercialization evaluation (Phase II).

- Small Business Innovative Research provides competitively reviewed financial support to companies.
- Small Business Technology Transfer expands funding opportunities in the federal innovation research and development area. Central to the program is the expansion of the public/private sector partnership to include joint venture opportunities for small businesses and the nation's premier nonprofit research institutions.

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INCENTIVE PROGRAMS

A variety of state and local tax incentive programs can be customized for specific projects, with varying monetary values based on investment and job creation expectations.

Eligibility for programs and monetary values cannot be guaranteed, but potential incentive programs and sources of grants include:

Michigan Economic Growth Authority Tax Incentive Programs (MEGA)

The Michigan Economic Growth Authority, or MEGA, promotes high quality economic growth and job creation. Since 1995, MEGA tax credits have generated \$11.5 billion in private investment and created nearly 120,000 jobs. There are two different MEGA programs, the Hi-Tech MEGA and the traditional MEGA.

This refundable tax credit is based on the incremental Single Business Tax liability attributable to an expansion or new location, and the amount of personal income tax attributable to new jobs being created.

The maximum amount awarded is based on total wages paid at the new facility multiplied by 4.2 percent, plus the business tax liability resulting from the new facility.

Each credit may be awarded for up to 20 years and 100 percent of the amount attributed to the project.

Michigan Growth Authority Hi-Tech (MEGA) Tax Incentive Package

Hi-tech companies may be eligible for tax credits against the Single Business Tax through the Michigan Economic Growth Authority.

Eligibility for a Hi-Tech MEGA:

- Creation of five or more jobs.
- Employer in electronics, communications, medical science or other high technology fields.
- Must devote at least 25 percent of operating expenses to research and development or be engaged in one of the following hi-tech industries:
 - Advanced computing, biotechnology, electronic device technology, engineering and laboratory testing related to product development, medical device technology, product research and development, advanced vehicle technology or technology that assists in the assessment or prevention of threats or damage to human health or the environment.

- MEGA credits must address a competitive disadvantage of locating the business in Michigan versus another state.
- Project cannot be announced or work on facility started prior to the MEGA award.
- Average wage must equal or exceed 400 percent of the federal minimum wage.

Traditional Michigan Economic Growth Authority (MEGA) Package

Eligibility for MEGA credits with out-of-state companies:

- Creation of 150 permanent jobs.
- MEGA credits must address a competitive disadvantage of locating the business in Michigan versus another state.
- Project cannot be announced or work on facility started prior to the MEGA award.
- Average wage must equal or exceed 150 percent of the federal minimum wage.

Eligibility for a MEGA credit with in-state companies:

- Creation of 75 permanent jobs.
- MEGA credits must address a competitive disadvantage of locating the business in Michigan versus another state.
- Project cannot be announced or work on facility started prior to the MEGA award.
- Average wage must equal or exceed 150 percent of the federal minimum wage.

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Economic Development Job Training Grant

Michigan offers trend-setting programs to deliver job training assistance to employers. Employers are at the front end, designing their customized training programs in partnership with schools, government agencies and other community resources to develop the most effective worker readiness programs in the country.

- \$500-\$1,000 per employee
- 25 percent match required by business

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Brownfield Credits

Owners and operators of blighted or abandoned sites are NOT required to pay for clean-up actions unless they caused the problem, under Michigan's brownfield law. The law reliably protects buyers and lenders.

To promote the redevelopment of brownfield sites, Michigan allows qualified businesses on qualified sites to claim a credit against the Single Business Tax liability equal to 10 percent of the investment made on a brownfield site.

Total credit per eligible investment generally is \$1 million, but can go as high as \$30 million.

- Brownfield credits must address a competitive disadvantage of locating the business in Michigan verses another state.
- Project cannot be announced or work on facility started prior to the Brownfield award.
- Average wage must equal or exceed 150 percent of the federal minimum wage.

The program has awarded more than \$273 million in credits that have generated more than \$3.8 billion in private investment since June 2000.

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Tax Abatement Programs

PA 198 Tax Abatement Program

Public Act 198 is the primary incentive local governments use to encourage companies to renovate and expand aging manufacturing plants or build new plants in Michigan.

Abatements cover both real and personal property and are approved by the local unit of government where a company is located.

Personal property taxes

- 50 percent abatement
- Up to 6 years

Real property taxes

- 50 percent abatement
- Up to 12 years

The state can add on an additional abatement of the statewide education tax.

Since it was passed in 1974, PA 198 has accounted for over 16,500 projects, representing 1.3 million jobs retained, 500,000 jobs created and \$81 billion invested.

PA 328 Tax Abatement Program

Public Act 328 allows communities to abate all new personal property taxes in certain geographic areas for up to five years.

The cities of Kalamazoo and Portage are eligible communities within Kalamazoo County. Kalamazoo has designated this program for approved brownfield sites in the city.

- Abates 100 percent of property taxes on new equipment purchases.

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Renaissance Zone Program

Nearly all state and local taxation can be eliminated with Michigan's Tax-Free Renaissance Zones. This powerful market-based incentive is available to businesses or residents in or relocating to a zone.

The Kalamazoo area had designated three Renaissance Zones for businesses. Two of the zones are available through 2015 and one is available through 2017.

The following taxes are virtually eliminated:

- Michigan Single Business Tax
- Michigan Personal Income Tax
- Michigan State Education Tax
- Local Personal Property Tax (except local bonded indebtedness or special assessments)
- Local Real Property Tax (except local bonded indebtedness or special assessments)
- Utility Users Tax

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Community Development Block Grants

Federal funds in the form of state-administered Community Development Block Grants can be used for road, water and sewer improvements necessary for a firm to locate or expand in an area. The amount of the grant depends on the number of jobs created and the amount of private investment.

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Loan Programs

City of Kalamazoo Business Revolving Loan Fund

This city fund provides gap financing up to \$40,000 for businesses located within the city limits.

- Can be used for building and equipment.
- Negotiable terms.

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Small Business Administration 504 Loan Program

This federal program is administered in Kalamazoo by Lakeshore 504 Program. It provides healthy small- and medium-sized businesses with long-term, fixed-rate financing for the acquisition or construction of fixed assets.

- Finance up to 90 percent of fixed assets at or below market interest rates.
- Must create or retain one job for every \$50,000 provided by the SBA.
 - "Small manufacturers" have a \$100,000 job creation or retention goal.
- Project assets being financed are used as collateral.
- Personal guaranties of principal owners required.

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