

# MEMORANDUM

**Date:** August 17, 2010

**To:** Michigan Economic Growth Authority

**From:** Greg West, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Hallite Seals Americas, Inc.  
Retention MEGA Credit

---

## COMPANY NAME

Hallite Seals Americas, Inc.  
1966 Heide St.  
Troy, Michigan 48085

## HISTORY OF COMPANY

Hallite Seals Americas, Inc., formerly Dynamic Seals, has been manufacturing and distributing industrial sealing devices to non-automotive businesses for over 30 years. Some of the markets it serves include agriculture, marine, transportation, medical, alternative energy, construction and mining. In May of 2005, Fenner PLC bought 100% of Wellington Holdings, which included Hallite, as a part of an aggressive growth plan for its precision polymers segment.

The company currently has 60 employees in Michigan.

## PROJECT DESCRIPTION

Hallite Seals Americas, Inc. currently operates three over capacity facilities in Troy. The inefficiencies related to the current multi-site arrangement and lack of space to expand has forced the company to consider the benefits of consolidating the three facilities to a new site. The company considered Wixom, Michigan and Houston, Texas as the most likely locations. A Houston facility would place the Michigan jobs at risk.

If the consolidation project moves forward in Michigan, Hallite Seals Americas, Inc. would consolidate the Troy facilities into one new leased facility in Wixom. The new Wixom facility will not only provide enough space to house the current operations, but will also provide sufficient space to support future site development. The building requires significant infrastructure upgrades to support the company's production needs, including new incoming power and electrical distribution, pneumatic power, fire suppression and cooling systems, high output lighting, cranes and the creation of office and research and development space.

Hallite Seals Americas, Inc. plans to invest approximately \$7.4 million, which includes \$2.2 million in leasehold improvements, and retain 60 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$834. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

#### **BENEFIT 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 retain a total of 152 jobs in the state by the year 2015. It is also estimated that the project would maintain total state government revenues through the year 2015, net of MEGA costs, of \$3,958,555 (current dollars) due to the retention of this facility.

#### **BUSINESS CASE**

Houston, Texas is also being considered for this expansion. The company owns an under capacity facility in Houston and would realize a substantial savings from the elimination of additional lease and renovation costs. In addition, a Houston site would provide additional savings related to the elimination of management and support staff redundancies, lower utility costs and lower overall taxes. The MEGA tax credit would help to offset some of these competitive disadvantages and help to make it possible for this consolidation to happen in Michigan.

#### **OTHER STATE AND LOCAL ASSISTANCE**

The City of Wixom is supportive of the project and anticipates the approval of a PA 198 tax abatement. The estimated value of this abatement is unknown at this time.

#### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 75 percent retention employment tax credit for 5 years for the 60 retained employees at the new Wixom facility.