



MEMORANDUM

Date: September 13, 2011

To: Michigan Economic Growth Authority

From: Stacy Bowerman, Project Specialist
Packaging Team

Subject: Briefing Memo – Hexagon Metrology, Inc.
High Technology MEGA Credit

COMPANY NAME

Hexagon Metrology, Inc.
250 Circuit Drive
North Kingstown, Rhode Island 02852
www.HexagonMetrology.us

HISTORY OF COMPANY

Hexagon Metrology, Inc. (“Hexagon Metrology”) manufactures equipment, sensors and software used for measurement. Hexagon Metrology is owned by Hexagon AB (Sweden), which also owns Intergraph (Huntsville, Alabama) and Leica Geosystems (Switzerland).

Hexagon Metrology, based in Rhode Island, produces equipment and software used to measure products in several industries, including aircraft, automotive, heavy equipment, defense and wind. Worldwide, Hexagon Metrology employs more than 8,400 people. The company currently has 74 employees in Michigan.

PROJECT DESCRIPTION

The nature of Hexagon Metrology’s business is changing with regards to the geography and industry makeup of their customer base. The company states that automotive sales may no longer contribute a significant share to their revenue, and needs to expand where their customer base is located. As a result, the company is considering employment growth and reinvestment at the following facilities in their portfolio: Hexagon Metrology, Brown & Sharpe Aftermarket Services, Wilcox Associates, Hexagon Metrology Services, and Peeler Pressroom & Abrasives d/b/a Advanced Metrology. The company plans to relocate to an existing facility in the City of Wixom that will accommodate this growth.

The company plans to invest approximately \$3 million, of which \$2.2 million is lease costs, and create up to 75 jobs over the next five years. The average weekly wage for the newly created jobs is anticipated to be \$1,022. 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 generate a total of 453 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$5.4 million (current dollars) due to the presence of this facility.

BUSINESS CASE

As discussed above, the composition and geography of the company's customer base is shifting from automotive to other industries. As Hexagon Metrology diversifies its customer base, they have opportunities to expand employment at facilities located in the central and southern regions of the United States (Warsaw, Indiana; Memphis, Tennessee; Huntsville, Alabama; etc.), or balance the increased work across multiple facilities. A MEGA Tax Credit would make Michigan more attractive to expanding employment activities in this state.

OTHER STATE AND LOCAL ASSISTANCE

The City of Wixom is supportive of this project and will consider a property tax abatement under P.A. 198 of 1974. The abatement will be considered at a future date. The expected value of the incentive will depend on the approved length of the abatement, as well as the assessed value of the property and other factors.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high-technology business, whose primary business activity is Electronic Device Technology, as defined in the Act. The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high technology employment tax credit for four years for up to 75 net new employees in excess of the company's established base of 79.