



201 N. WASHINGTON SQ.  
4TH FLOOR  
LANSING, MI 48913  
1 517 335 5884  
1 517 335 2521

CUSTOMER ASSISTANCE  
1 517 373 9808

[www.michigan.org](http://www.michigan.org)

## MEMORANDUM

**DATE:** April 25, 2001  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Hi-Lex Controls, Inc.

### COMPANY NAME AND ADDRESS:

Hi-Lex Controls, Inc.  
152 Simpson Drive  
Litchfield, Michigan 49252

### HISTORY OF COMPANY:

Hi-Lex Controls, Inc. was founded in 1989 as a separate subsidiary of Hi-Lex Corporation, located in Battle Creek, Michigan. The U. S. parent is TSK of America, which in turn is wholly owned by Nippon Cable Systems, Inc. of Takarazuka, Japan. Nippon Cable Systems is a publicly traded company on the Tokyo exchange. Hi-Lex Controls manufactures window regulators and it and its related entities have a total of 947 current Michigan employees.

### PROJECT DESCRIPTION:

Hi-Lex Controls has been manufacturing window regulators in Litchfield, Michigan since 1990. Since that time, the Litchfield facility has been expanded four times including an expansion in 1996 with the help of a MEGA tax credit. The company feels that the facility has grown large enough at its current employment level of 475 and that the community cannot support a large expansion in terms of labor force availability. The company is therefore proposing to build a new facility in Hudson, Michigan or Liberty Center, Ohio employing 190 workers within three years. The investment will total \$9,963,000; \$5 million for the plant and the balance in machinery and equipment. The average wage will be \$466 weekly and a benefit package worth up to 25 percent of wages.

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**BENEFIT TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. (REMI) software, we estimate this facility will generate a total of 291 jobs in the state by the year 2008. Total state government revenues through the year 2008, net of MEGA costs and adjustment for inflation, would be increased by \$8.4 million (2001 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company decision-making process, it conducted a comprehensive analysis between Hudson, Michigan and Liberty Center, Ohio. Inasmuch as the two sites in question are within 10 miles of each other, the main cost differential was the incentive package that Ohio offered the company to locate there. These incentives include the Machinery & Equipment Tax Credit, which would be valued at approximately \$370,000 and the Ohio Jobs Creation Tax Credit, worth approximately \$630,000. Training, local tax abatement and low cost financing were also offered by the state and local communities in Ohio. The MEGA credit proposed would match the incentive package offered by Ohio.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 190 new employees, totaling \$190,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is \$284,506. The Michigan Strategic Fund is also prepared to work with the company to issue tax exempt, industrial revenue bonds for eligible capital costs.

The City of Hudson will provide a 50 percent abatement of the company's real and personal property taxes for twelve years. The estimated value of this local abatement is \$1,153,910. In addition, the

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City of Hudson has agreed to provide the company with free land in its industrial park and to waive traditional utility tap-in fees.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for three years, 75 percent for two years and 50 percent for two years for up to 190 net new jobs.