



## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

# MEMORANDUM

**Date:** May 19, 2009

**To:** Michigan Economic Growth Authority

**From:** Amy Deprez, Manager  
Packaging Team

Greg West, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Pump Engineering, LLC  
High-Technology MEGA Credit

---

300 N. WASHINGTON SQ.  
LANSING, MI 48913

**CUSTOMER**  
ASSISTANCE CENTER  
517 373 9808

WWW.THEMEDC.ORG

**EXECUTIVE COMMITTEE**  
MATTHEW P. CULLEN  
Chair  
Rock Ventures

PHILIP H. POWER  
Vice-Chair  
The Center for Michigan

D. GREGORY MAIN  
President and CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

JOHN W. BROWN  
Stryker Corporation

DR. DAVID E. COLE  
Center for  
Automotive Research

JOANN CRARY  
Saginaw Future Inc.

DR. HAIFA FAKHOURI  
Arab American and  
Chaldean Council

STEVEN K. HAMP  
Hamp Advisors, LLC

PAUL HILLEGONDS  
DTE Energy Company

GEORGE W. JACKSON JR.  
Detroit Economic  
Growth Corporation

BIRGIT M. KLOHS  
The Right Place, Inc.

F. THOMAS LEWAND  
Bodman LLP

STANLEY "SKIP" PRUSS  
Michigan Department of Energy,  
Labor & Economic Growth

DR. IRVIN D. REID  
Wayne State University

SANFORD "SANDY" RING  
Hino Motors  
Manufacturing U.S.A., Inc.

MICHAEL B. STAEBLER  
Pepper Hamilton LLP

PETER S. WALTERS  
Guardian Industries Corp.

TODD A. WYETT  
Versa Development, LLC

### COMPANY NAME

Pump Engineering, LLC  
1004 West Hurd Road  
Monroe, Michigan 48162-9401

### HISTORY OF COMPANY

Pump Engineering, LLC (PEI) was founded in 1986 to develop innovative solutions for the high-pressure/low-flow centrifugal pump technology. PEI found a niche in the pump market as the manufacturer of high-efficiency pumps and energy recovery turbochargers that are used mainly in the water desalination industry, with each item being highly engineered and designed specifically for each application. The company has focused their research and development efforts on this market, which resulted in three products that have become the core business of PEI. These products include a Hydraulic Turbocharger, a low-pressure Turbocharger, and a Turbocharger for natural gas processing applications. These products reduce the motor size needed to power the desalination process and the pumps are highly efficient reducing energy costs.

PEI currently has 36 employees in Michigan.

### PROJECT DESCRIPTION

From 2007 to 2009 PEI's sales will increase 300% and are expected to increase an additional 250% over the next five years. PEI's current location will not accommodate the growth required to support the increase in sales. The company will also begin the research and development and testing of larger sized pumps and turbochargers making PEI the only company in the world capable of full scale testing of the larger pumps and turbochargers. PEI has identified an existing building in Huron Charter Township, Wayne County that will support the expansion needed to accommodate the increase in sales as well as the addition of a new test loop that will be used for the research and development.

PEI will invest approximately \$4.25 million and create 51 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$890. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

### **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 110 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$2 million (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

PEI is also considering two locations in Ohio for this expansion project. The personal property and real estate taxes are lower in Ohio as well as wage rates for skilled shop floor employees. Locating in Ohio would save the company approximately \$85,000 annually in taxes and wages. In addition, the cost to bring power from the road to the company's Michigan facility is \$100,000 and in Ohio that additional cost would not be incurred.

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

Huron Township is supportive of this project and anticipates approval of a 12-year PA 198 tax abatement within 90 days of the board meeting. The estimated value of this incentive is not known at this time.

### **QUALIFYING HIGH-TECHNOLOGY ACTIVITY**

The company is a qualified high-technology business, whose primary business activity is Product Research and Development, as defined in the Act.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent high-technology employment tax credit for seven years for up to 51 net new employees in excess of the company's established base of 36.