

## MEMORANDUM

**Date:** February 15, 2011  
**To:** Michigan Economic Growth Authority  
**From:** Robert Wilson, Project Specialist  
Packaging Team  
**Subject:** Briefing Memo – Metalloid Corporation  
Rural MEGA Credit

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### COMPANY NAME

Metalloid Corporation  
500 Jackson Street  
Huntington, Indiana 46750

### HISTORY OF COMPANY

Metalloid Corporation (Metalloid) is a privately owned corporation which blends traditional, and more importantly Green metalworking fluids. Metalloid was started in 1951 in Huntington, Indiana, where it is located today. Metalloid supplies Microlubricants for the automotive, leisure, can manufacturing, tool and die making industries.

Metalloid has been developing and marketing a line of metalworking fluids free from oil, solvent and chlorinated paraffin. They are focused on developing fluids that are safe for the environment and workers. Metalloid is formulating these green products under the trade name ADVANCE. The ADVANCE product line encompasses all metalworking requirements.

The company currently does not have any operations in Michigan.

### PROJECT DESCRIPTION

Metalloid will establish a metalworking fluid manufacturing operation which specializes in Green Renewable products in Sturgis, Michigan. They will be moving one of their existing manufacturing plants from Indiana. The new location in Sturgis will undergo renovations including new wiring, a new boiler, purchase of storage tanks, and the purchase new laboratory and office equipment.

The company plans to invest approximately \$365,000 and create 30 jobs over the next five years, with 17 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$975. 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 70 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$918,102 (current dollars) due to the presence of this facility.

#### **BUSINESS CASE**

Metalloid evaluated the proposed investment relative to sites in Indiana and Texas where they identified a cost gap including lower property and local taxes. They also identified the uncertainty of Michigan's business tax structure as a disadvantage. The MEGA tax credit will help in part to offset the disadvantages associated with a Sturgis, Michigan location.

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

The City of Sturgis is supportive of this project and anticipates approval of tax abatement under PA 198 of 1974. The estimated value of this incentive is not known at this time

#### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent rural employment tax credit for 5 years for up to 30 net new employees in excess of the company's established base of 0.