



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: August 19, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – Ameriwood Industries, Inc.
Rural MEGA Credit

COMPANY NAME:

Ameriwood Industries, Inc.
202 Spaulging Street
Dowagiac, Michigan 49047

HISTORY OF COMPANY:

Ameriwood Industries, Inc. was started in 1969 as Jessco, Inc. as a vinyl laminator of particleboard. In 1978, Jessco was purchased by Rospatch Corporation and in 1981 Rospatch expanded into the Ready to Assemble (RTA) Furniture business which is the main focus of Ameriwood today. In 1991, Rospatch changed its name to Ameriwood and in 1998 Ameriwood was purchased by Charleswood Corp., a subsidiary of Dorel Industries. Charleswood, also a RTA furniture manufacturer was located in Wright City, MO. The entire RTA division was later renamed Ameriwood Industries. The RTA division at one time included plants in Cornwall, Ontario, Wright City, Missouri, Dowagiac, Michigan, Brampton, Ontario, and Tiffin, Ohio. The plants in Brampton and Wright City are now closed, with most of the operations in Dowagiac being reduced. The operations in Dowagiac were suspended in July of 2007, with only minimal support operations remaining.

Ameriwood currently has 48 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project includes restoring the production capabilities of the plant in Dowagiac, Cass County, in order to accommodate the growth and product demand caused by rising freight costs and due to the closure of several competing companies. Restarting manufacturing at the plant would require reinstalling machinery that had been removed along with purchasing and transferring of machinery from other sites. The initial restoration of the facility will include restoring old equipment to proper operating condition and standards, installing relocated equipment and insuring the building is updated to a level that will be able to support production operations. Total investment over five years will be approximately \$3.45 million. This project will create 100 new jobs with an average weekly wage of \$516. The company will also offer health care benefits and pay a portion of the benefit costs.

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BENEFITS 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 create a total of 182 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$2 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company considered locating the project at one of its current facilities in Ontario or Ohio. Some disadvantages for Michigan include higher labor costs relating to wage, workers compensation and health care benefits, with health care costs a specific issue when looking at the site in Ontario.

Other critical competitive disadvantages faced by Ameriwood concern the facility and plant production. The age of the current building in Dowagiac and its multi-level design greatly reduce plant productivity. In addition; Michigan utility rates are significantly higher than the rates at its facility in Ohio and its major raw material, particleboard, comes primarily from two Canadian suppliers. This puts the Dowagiac site at a substantial freight disadvantage in comparison to the Ontario plant.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Dowagiac supports the Ameriwood Industries, Inc. project and anticipates the approval of a 12 year tax abatement under PA 198. The city anticipates the approval of this tax abatement at its August 25, 2008 City Council Meeting.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 100 net new employees, subject to the following:

- The company must create a minimum of 100 jobs, over the employment base of 48, by the end of the fifth year of operations. Failure to create the 100 jobs by the end of year five will void the remaining two years of the tax credit.