



MEMORANDUM

DATE: October 10, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Haworth, Inc.

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COMPANY NAME:

Haworth, Inc.
One Haworth Center
Holland, Michigan 49423-9576

HISTORY OF COMPANY:

Haworth, Inc., is a Michigan corporation that was founded by G. W. Haworth in 1948. Haworth has seen continuous growth over the past 50 years and is now the second largest office furniture manufacturer in the world. The company currently employs over 4,000 people in the state, with more than 2,800 jobs in Holland. The company has manufacturing facilities in Allegan, Douglas, Ludington, and Big Rapids. The Big Rapids facility was one of the first facilities to receive a MEGA credit.

PROJECT DESCRIPTION:

Because Haworth has experienced rapid and continuing growth over the past several years, it must expand its office operations to meet future demand for products. Haworth is considering locating a large expansion of its administrative offices in Holland, Michigan or Nashville, Tennessee. Haworth currently has a regional administrative facility in Nashville. This project will require an expansion of office facilities in either location with an investment in building and equipment of over \$17 million. The company expects to create up to 455 net new jobs by 2005, with an average weekly wage of just over \$800. Haworth offers a generous benefit package to its employees.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc, software, we estimate this facility will generate a total of 609 jobs in the state by 2020. Total state government revenues through the year 2020, net of MEGA costs and adjusted for inflation, would be increased by \$49.2 million (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Holland and Nashville. Based on figures obtained from the company, the cost disadvantage for Haworth to locate this expansion in Michigan rather than Tennessee amounts to approximately \$1.5 million annually. The major factor in this differential is attributable to lower wages in Nashville.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide Haworth an Economic Development Job Training grant of up to \$227,500. In addition, the state will offer a 100 percent abatement of the 6-mill State Education Tax for the same term as the local property tax abatement. This abatement is estimated to be worth over \$628,000. The local tax abatement could be worth up to \$6.68 million over twelve years.

BUT FOR:

Haworth is faced with a significant wage cost differential to locate this facility in Holland rather than Nashville. In addition, expanding their presence in Nashville allows Haworth to more easily reach customers, with reduced travel costs, in the rapidly growing Southeast sector of the country. Therefore, the following MEGA credit is needed to encourage this business investment in Holland.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 50 percent for the first 13 years and 70 percent for the next 7 years for up to 455 net new jobs.