

**The Economic Effects on Michigan of the  
Haworth Headquarters Expansion**

Prepared by the Michigan Economic Development Corporation utilizing Regional  
Economic Models, Incorporated (REMI) software.

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### Abstract

*Haworth Incorporated is considering expanding their headquarters in Holland, Michigan. The new facility would employ up to 455 people by the end of 2005. We estimate that by 2020, this location will have generated a total of 609 jobs in the state. Total state government revenues through 2020, net of MEGA costs and adjusted for inflation, would increase by \$49.2 million (2000 dollars) due to the Haworth Headquarters Expansion.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Haworth Incorporated expanding their headquarters facility in Holland. Investment activity would take place between 2001 and 2005, with an investment of \$17.7 million. The facility would employ an additional 455 people and would be at full production by 2005.

The estimates of the benefits attributable to the project include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2001 to 2020, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 50 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2001 to 2013 and 70 percent of the state income tax rate on the payroll of employees hired at the facility for the period 2014 to 2020.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2005, the first year of full operations, an additional 772 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.29 over the period 2001 to 2020. Sectoral detail on the employment is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Haworth Incorporated were to expand in Michigan under the incentive program, state personal income in 2005 would be higher by \$44.7 million (in current dollars) than it would be without the facility, and in 2020, it would be \$64.6 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$40.1 million in 2005 and \$41.6 million in 2020.

The gain in economic activity results in higher government revenues. We estimate that in 2006, the first year of full operations without investment activity, the facility would

generate \$3.7 million in additional gross state revenue, and that the MEGA package would provide a \$456,000 incentive to Haworth Incorporated. Thus, the expanded Haworth Incorporated facility would increase state revenues in 2006 by \$3.2 million, net of MEGA costs.

Over the period 2001 to 2020, state government revenue is projected to increase by \$75.3 million (in current dollars) due to the expansion of the Haworth Incorporated facility. The MEGA incentive package for Haworth Incorporated is forecast to cost \$12 million over the period, resulting in a net increase in state government revenue of \$63.3 million. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2020 would be \$49.3 million in 2000 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Haworth Headquarters Expansion  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2006	2007	2010	2015	2020	Total
<b>Total Employment</b>											
Manufacturing	323	496	495	637	772	717	676	592	571	609	
Non-Manufacturing	7	6	-8	-14	-22	-33	-41	-56	-55	-45	
Retail Trade	316	490	503	651	794	750	717	648	626	654	
Services	36	54	51	64	76	68	62	51	49	56	
Other	166	302	399	522	642	621	604	570	558	573	
	114	134	53	65	76	61	51	27	19	25	
<b>In Current Dollars (Thousands):</b>											
Personal Income	\$13,370	\$23,070	\$26,090	\$35,130	\$44,710	\$46,050	\$46,970	\$48,860	\$54,630	\$64,580	\$941,730
Gross State Revenue	1,070	1,846	2,087	2,810	3,577	3,684	3,758	3,909	4,370	5,166	75,341
Mega Cost	83	171	259	348	451	456	471	521	874	1,054	12,045
State Revenue Net of MEGA Cost*	\$987	\$1,675	\$1,828	\$2,462	\$3,126	\$3,228	\$3,287	\$3,388	\$3,496	\$4,112	\$63,296
<b>Adjusted for Inflation (Thousands of 2000 Dollars):</b>											
Personal Income	\$13,081	\$22,090	\$24,450	\$32,219	\$40,126	\$40,432	\$40,344	\$39,263	\$39,287	\$41,589	\$729,731
Gross State Revenue	1,047	1,768	1,956	2,577	3,210	3,235	3,228	3,141	3,143	3,327	58,381
Mega Cost	81	164	242	320	405	400	404	419	629	679	9,091
State Revenue Net of MEGA Cost*	\$966	\$1,604	\$1,714	\$2,257	\$2,805	\$2,835	\$2,824	\$2,722	\$2,514	\$2,648	\$49,290

\* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.