



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: July 13, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Haworth, Inc.
Standard Credit and
Distressed Credit

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COMPANY NAME AND ADDRESS:

Haworth, Inc.
One Haworth Center
Holland, Michigan 49423

HISTORY OF COMPANY:

Haworth, Inc. is a Michigan company that manufactures and sells office furniture and related office facility components throughout the world. The company has been based in Michigan for all of its more than 50 years of business. Haworth has business operations in 18 countries and manufacturing facilities in 10 countries, with 14 manufacturing facilities in the United States and nine in Michigan. In 2003, sales for the company were \$1.2 billion. In total, the company employs approximately 9,000 employees, with over 2,400 at eight locations in Michigan, including the headquarters in Holland.

PROJECT DESCRIPTION:

Haworth is expecting a recovery in the office furniture industry and despite several plant closures in recent years, it still has excess capacity. The company would like to further consolidate their operations to take advantage of productivity and efficiency gains in the past couple of years. This project would include the consolidation of four out-of-state manufacturing and distribution facilities to Michigan. Those facilities include Jonesboro, Arkansas, Henderson, Texas, Hazelton, Pennsylvania and Lincolnton, North Carolina. In addition, Haworth would move forward on a major reconstruction of their headquarters facility in Holland. The current facility, which is 25 years old, is not the type of office furniture showroom facility the company desires.

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The consolidation of functions into existing facilities in Holland, Allegan and Big Rapids will allow Haworth to add 185 new jobs in the first year of the project and up to 1,000 total new jobs over the life of the credit. The new positions would pay an average starting weekly wage of \$436.

The project would require an investment of \$42.7 million, including \$30 million for building renovations and new office furniture and systems at the headquarters in Holland, and \$12.7 million for new machinery and equipment at the manufacturing facilities in Holland, Allegan and Big Rapids.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate that this facility will create a total of 2,414 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$87.6 million (2004 dollars) due to the location of this facility.

BUT FOR:

As an alternative to consolidation of manufacturing and distribution operations in Michigan, Haworth considered consolidating operations at their Jonesboro, Arkansas facility. The Jonesboro facility is a modern and efficient 650,000 square feet facility that is only five years old. If Haworth consolidated operations at this facility the company estimates they would save approximately 20% on wage and benefit costs, saving the company approximately \$5 million per year when the project was fully implemented. In addition, the company has been granted tax credits in Arkansas that they will relinquish when that facility is closed.

OTHER STATE AND LOCAL ASSISTANCE:

In addition to the standard MEGA credits, the company has been offered a Distressed MEGA credit for the next three years. Distressed credits can be awarded to companies with 150 employees, who have lost at least 30 percent of their workforce in any three year period in the past four years. Haworth meets the criteria and is eligible for a credit for up to 800 new and retained jobs. The estimated value of this credit is \$475,200.

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The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the first 600 new production workers, or up to \$300,000. In addition, the state will provide 100 percent abatement of the six-mill State Education Tax for a period of time that matches the approved local property tax abatements in Holland, Allegan and Big Rapids. The estimated value of the abatements for all three municipalities is \$913,100.

The City of Holland has proposed PA328 and PA198 property tax abatement on the new investment for the project, both for 12 years. The PA328 abatement would be for the new personal property and is estimated to be valued at \$2.3 million, including \$263,700 in State Education Tax abatement. The PA198 abatement would be applied to real property improvements and is estimated to be valued at \$3.0 million. The PA328 tax abatement is expected to be finalized on August 4, 2004. The PA198 abatement will be approved once final building renovation plans are complete.

The City of Big Rapids has proposed PA198 property tax abatement for 12 years on the new personal property being invested in the community. The estimated value of this abatement is \$500,500. The abatement is expected to be finalized by mid August.

The City of Allegan has proposed PA198 property tax abatement for 12 years on the new personal property being invested in the community. The estimated value of this abatement is \$100,700. The abatement is expected to be finalized by mid August.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for up to 1,000 net new employees and a 100 percent business activity credit, both for 12 years.

The Michigan Economic Development Corporations also recommends a 25 percent distressed MEGA credit for up to 800 new and retained jobs for three years.