



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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Date: August 18, 2009
To: Michigan Economic Growth Authority
From: Amy Deprez, Manager
Packaging Team
Greg West, Project Specialist
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Subject: Briefing Memo – Haworth, Inc.
Standard MEGA Credit

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COMPANY NAME

Haworth, Inc.
One Haworth Center
Holland, MI 49423

HISTORY OF COMPANY

Haworth, Inc., created in Michigan in 1948, is a wholly owned subsidiary of Haworth International, Ltd. Haworth is in the business of the manufacture and sales of office workplace solutions. The company has a long history of growth and innovation and its global distribution network of affiliates is the broadest in the industry. Haworth, Inc. and its various affiliates have approximately 6,300 employees, maintain manufacturing facilities in 10 countries, and business operations in 24 countries. Haworth, Inc. has 9 manufacturing and distribution centers in the United States, with 7 being in Michigan.

Haworth, Inc. currently has 1,890 employees in Michigan.

PROJECT DESCRIPTION

Haworth has determined that due to excess manufacturing capacity in the industry and in Haworth's North American operations a reduction in manufacturing capacity is necessary. In order to meet this objective, Haworth will be transferring their wood and wall product manufacturing from their facility in Calgary, Alberta, Canada to their existing facilities in Holland and Big Rapids. Of the new jobs being created, 70-80% would be located in Holland with the remainder being located in Big Rapids. The project would require the relocation of machinery and equipment from their Calgary facility, as well as the purchase of new machinery and equipment for both sites.

Haworth, Inc. will invest approximately \$15.65 million and create 649 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$790. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 1,391 jobs in the state by the year 2022. Total state government revenues through the year 2022, net of MEGA costs, would be increased by \$59,431,581 (current dollars) due to the presence of this facility.

BUSINESS CASE

Given Haworth's excess capacity at their existing operation in Calgary, the company has the opportunity to locate this project at that facility. The primary advantages of creating this job growth in Calgary comes from the lower cost of labor at that site as well as the higher cost of moving larger amounts of machinery and equipment from Calgary to Michigan. The Calgary site has sufficient capacity to produce these products and due to the fact that the Calgary site is the primary location for the manufacturing of wood and wall products there would be additional training costs in order to bring the new Michigan employees up to speed. Additionally, this project being located in Calgary would mean the transfer of approximately 100 jobs from a current Big Rapids facility to the Calgary site.

OTHER STATE AND LOCAL ASSISTANCE

The City of Big Rapids is supportive of this project and anticipates the approval of a PA 198 and PA 328 tax abatements. The estimated value of the PA 198 abatement is \$193,000.

The City of Holland is supportive of this project and anticipates the approval a PA 328 tax abatement. The estimated value of this incentive is \$900,000.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 13 years for up to 649 net new employees in excess of the company's established base of 1,839, subject to the following:

- Provided that the company creates a minimum of 600 jobs, over the employment base of 1,839 by the end of the seventh year of operations and continues to maintain that number in future years. Failure to do so will result in the remaining years to be forfeited.