

MEMORANDUM

Date: September 14, 2010

To: Michigan Economic Growth Authority

From: Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Herman Miller, Inc.
Standard MEGA Credit

COMPANY NAME

Herman Miller, Inc.
855 East Main Avenue
Zeeland, Michigan 49464

HISTORY OF COMPANY

Herman Miller, Inc. is a global manufacturer of furniture for the office, learning, and healthcare environments. The company began in the early 1900's as the Star Furniture Company, and changed its name to the Herman Miller Furniture Company in 1923, and has established itself as the leader in both design and innovation. In addition, within the last two years Herman Miller has made significant investments into the healthcare industry by purchasing Brandrud Furniture, Inc. and Nemschoff Chairs, Inc. Individually, Herman Miller, Nemshoff and Brandrud were ranked first, second and seventh in the healthcare furniture industry, according to Contract Magazine.

Herman Miller, Inc. currently has 3,215 employees in Michigan.

PROJECT DESCRIPTION

The proposed project has two related phases, the first consists of the relocation of the design and manufacturing of Herman Miller's healthcare furniture line from Wisconsin to Holland and the renovation of its current show space at the Greenhouse facility in Holland. In addition to the added manufacturing in Michigan, the renovated showroom will allow Herman Miller to demonstrate the full range of their product offerings in the administrative and clinical aspects of a health care environment.

The second phase includes the creation of a global center for innovation and design at the company's current Design Yard facility in Holland, which will require extensive renovation of the facility. This renovation will allow the company to centralize and expand its research and development capabilities. The company will be pursuing LEED accreditation with this investment.

Herman Miller plans to invest approximately \$11 million and create up to 160 jobs in the first year and up to 600 total jobs as a result of this project. The average weekly wage for the newly created jobs will be \$881. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 1,225 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, would be increased by \$20,355,033 (current dollars) due to the presence of this facility.

BUSINESS CASE

Herman Miller has indicated that the alternative to locating all of the investment in Michigan would be expanding at its current locations in Sheboygan, Wisconsin and New York City, New York. By keeping the healthcare product line in Wisconsin, the company would experience lower labor costs, unemployment insurance and personal property tax rates. The capital cost associated with a Wisconsin project would be less given that the product is currently being manufactured there and only the layout of the showroom would have to be reconfigured. In addition, locating the design center in New York would give Herman Miller the ability to more easily build and take advantage of customer relationships. The MEGA tax credit would help to offset these competitive disadvantages and make it possible for the company to grow in Michigan.

OTHER STATE AND LOCAL ASSISTANCE

The City of Holland and Holland Charter Township are supportive of this project and anticipate the approval local tax abatements. The total estimated value of these abatements is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 7 years for up to 600 net new employees in excess of the company's established base of 3,215, subject to the following:

- That the company must create and maintain 540 Qualified New Jobs over the established employment base of 3,215 by the end of year 5 of the credit, otherwise the final two years will be forfeited.