



MEMORANDUM

Date: March 15, 2011
To: Michigan Economic Growth Authority
From: Robert Wilson, Project Specialist
Packaging Team
Subject: Briefing Memo – Knape & Vogt Manufacturing Company
Standard MEGA Credit

COMPANY NAME

Knape & Vogt Manufacturing Company
2700 Oak Industrial Drive
Grand Rapids, Michigan 49505

HISTORY OF COMPANY

Knape & Vogt Manufacturing Company ("KV"), located in Grand Rapids, Michigan for more than a century, designs, manufactures and distributes functional hardware, storage-related components, and ergonomic products for original equipment manufacturers, specialty distributors, office furniture dealers, hardware chains and major home centers throughout the country. Major product categories include KV® brand drawer slides; wall-attached shelving units and specialty hardware products; Real Solutions For Real Life® brand kitchen, and closet and bath storage products and ergonomic office products.

KV is headquartered and manufactures functional hardware and storage-related component products at 2700 Oak Industrial Dr., Grand Rapids, Michigan. It also operates a distribution warehouse at 3800 Eastern Ave., Wyoming, MI. KV owns Workrite Ergonomics, LLC which manufactures and distributes ergonomic products in Petaluma, California. KV also owns GSlide, located in Taiwan, which manufactures functional hardware for original equipment manufacturers and specialty distributors.

The company currently has 456 employees in Michigan.

PROJECT DESCRIPTION

KV acquired John Sterling Corporation ("JSC") in December 2010. JSC manufactures and distributes home hardware products for "big box" retail customers such as Menards and the Home Depot. Products include window guards, closet organization products and shelf systems. JSC is headquartered in Richmond, IL where it performs manufacturing and distribution operations. JSC also operates a distribution warehouse in Genoa City, WI.

KV plans to move JSC's entire operations to its headquarters and manufacturing facility in Grand Rapids and its distribution facility in Wyoming, Kent County. The proposed move will expand KV's existing manufacturing and distribution operations.

The company plans to invest approximately \$1.24 million, of which \$1 million is related to lease costs, and create 122 jobs over the next five years, with 102 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$491. 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 213 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$2,770,591 (current dollars) due to the presence of this facility.

BUSINESS CASE

KV evaluated the proposed investment relative to sites in Illinois and Wisconsin where they identified a cost including higher transportation and travel costs associated with a Michigan location. The company also identified business interruption risks that occur during any move as a significant disadvantage. The MEGA tax credit will help in part to offset the disadvantages associated with a Grand Rapids and Wyoming, Michigan location.

OTHER STATE AND LOCAL ASSISTANCE

The City of Grand Rapids is supportive of this project and anticipates approval of tax abatements through Public Act 198 of 1974. The estimated value of this incentive is unknown at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 50 percent standard employment tax credit for 5 years for up to 122 net new employees in excess of the company's established base of 456.