



MEMORANDUM

TO: Michigan Strategic Fund ("MSF") Board Members

FROM: Marcia Gebarowski, Development Finance Manager

DATE: December 19, 2012

SUBJECT: Approval of Michigan Business Development Request for \$3,000,000 Performance-based Grant & MSF Designated Renaissance Zone to:

La-Z Boy Incorporated ("Applicant" or "Company")
1284 North Telegraph Road
Monroe, Michigan 48162
www.la-z-boy.com

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program ("MBDP") and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Project Management staff ("MEDC Staff") to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF's investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

HISTORY OF THE APPLICANT

Headquartered in the City of Monroe, La-Z-Boy has been one of the world's leading residential furniture producers for 85 years. The company manufactures a full line of comfortable products for the living room and family room, including the company's world-famous recliners, reclining sofas and love seats, sleep sofas, modular furniture and leather upholstery, as well as stationary sofas, love seats and chairs.

The Applicant has not received any incentives from the MSF previously.

Michigan Economic Development Corporation

00 North Washington Square | Lansing, MI 48913 | 888.522.0103 | MichiganAdvantage.org | michigan.org

PROJECT DESCRIPTION

The Applicant plans to purchase approximately 127 acres of vacant land, construct a new 150,000-200,000 square foot headquarters building and prepare the current headquarters site for redevelopment, which may include the former building being demolished. The project is proposed for City of Monroe, Michigan and will include over \$50 million in investment and the creation of 50 new jobs related to the furniture manufacturing industry.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.
- b) The project will be located in the City of Monroe. The city has offered a “staff, financial, or economic commitment to the project” in the form of an MSF designated Renaissance Zone for a period of nine years, estimated value of \$9 million including state and local taxes.
- c) The Applicant has demonstrated a need for the funding based on a very competitive economic incentive package from the State of Ohio with an estimated value exceeding \$20 million in state and local incentives, and an economic burden associated to the cost of purchasing a larger parcel of land in Monroe which includes an undevelopable 24 acre protected Oak Savannah the company plans to maintain.
- d) The Applicant plans to create 50 Qualified New Jobs above a statewide base employment level of 435.
- e) The project meets the program guidelines as follows: the proposed project is not a retail project; involved heavy out-of-state competition, involves a high level of capital investment and near-term job creation.

MBDP INCENTIVE OPPORTUNITY

This project involves the creation of 50 Qualified New Jobs and a capital investment of up to \$50.5 million in the City of Monroe. The requested MBDP incentive amount from the MSF is \$3 million in the form of a performance-based grant.

MSF DESIGNATED RENAISSANCE ZONE INCENTIVE OPPORTUNITY

The City of Monroe has submitted an application on behalf of La-Z-Boy Inc. for an MSF Designated Renaissance Zone (RZ) for a 9 year designation. The request is for 128 acres; the proposed development site is located on a portion of property currently owned by Sisters, Servants of the Immaculate Heart of Mary, parcel number 58-56-69-01501-000 as well as two additional parcels located in Frenchtown Township; La-Z-Boy plans to obtain ownership of the property after designation of the RZ. The MSF Designated RZ would become effective on January 1, 2013, and end on December 31, 2021.

The RZ request was evaluated based on the agreement of La-Z-Boy to create 50 jobs by December 31, 2015; pay an average weekly wage of \$925 plus full benefits by December 31, 2017; and make an investment of \$50 million by December 31, 2015. It is estimated that \$1.2 million will be abated annually in property taxes. A development agreement will be entered into between the Company, the Michigan Strategic Fund, and the Owner. By the end of the year,

ownership will be obtained by the Company, at which point, the former owners will be released from any liability under the development agreement.

RECOMMENDATIONS

MEDC Staff recommends (the following, collectively, "Recommendation"):

MBDP:

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, "MBDP Proposal");
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing ("Available Funding"), satisfactory completion of due diligence, (collectively, "Due Diligence"), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
 - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

MSF Designated RZ:

- a) Approval of the City of Monroe's request for a MSF Designated Renaissance Zone for La-Z-Boy, Inc. for 9 years. Designation of the portion of the property parcel number 58-56-69-01501-000 is, contingent upon the following:
 - (i) By October 24, 2013, La-Z-Boy, Inc. shall have commenced the project outlined in the City of Monroe's application for a MSF Designated Renaissance Zone by having started construction of the new facility.
 - (ii) La-Z-Boy shall obtain ownership of the portion of the parcel housing the Renaissance Zone by December 31, 2012 and, as soon as possible, seek to split the parcel, segregating the Renaissance Zone from the rest of the parcel.
 - (iii) A development agreement is finalized between the Michigan Strategic Fund, the City of Monroe, Sisters, Servants of the Immaculate Heart of Mary, and La-Z-Boy Incorporated.