



MEMORANDUM

DATE: December 21, 1999

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development *James Donaldson*

SUBJECT: Briefing Memo - La-Z-Boy Inc.

COMPANY NAME:

La-Z-Boy Inc.
1284 North Telegraph Road
Monroe, Michigan 48162

HISTORY OF COMPANY:

La-Z-Boy Inc. was founded in Monroe, Michigan in the late 1920's and was incorporated in the state in 1941. The company has experienced significant growth of its furniture products in the past few years through internal expansion and through the acquisition of new subsidiaries. In order to support the company's expanding operations, additional administrative support and an information technology division are required.

PROJECT DESCRIPTION:

To accommodate the company's growth needs, 92 jobs will be created within the next two years. The majority of these new positions will be in the information technology department. The average weekly wage for these positions will be \$738.

The company has two viable alternatives in terms of siting this new information technologies division. The company's preferred choice would be to locate this division in its corporate headquarters facility in Monroe. This option would require approximately \$3.6 million in building renovations. The headquarters facility is a former manufacturing plant which would require extensive remodeling inside and out to make it a suitable working environment for the types of people the company wishes to recruit.

N. WASHINGTON SQ.
FLOOR
LANSING, MI 48913
335 2877
335 0198

CUSTOMER ASSISTANCE
373 9808

www.michigan.org

La-Z-Boy Inc.
Briefing Memo
December 21, 1999
Page Two

The company's other option is to locate this new division with its research and development and manufacturing facilities in Greensboro, North Carolina. This area is known as the residential furniture manufacturing center of the United States. La-Z-Boy would lease office space to accommodate this new division if this option is chosen.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 152 jobs in the state by the year 2014. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation, would be increased by \$5,953,000 (1999 dollars) due to the presence of the La-Z-Boy Inc. facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Greensboro, North Carolina and Monroe, Michigan. Based on figures obtained by the company, the cost disadvantage for La-Z-Boy to establish this new division in Monroe rather than Greensboro is roughly \$300,000 to \$700,000 annually over the term of the incentive. Approximately one-half of this cost differential is attributable to wage rates in North Carolina averaging 7 percent lower than in Michigan for the same job classifications. The other half of the differential is due to higher taxes in Michigan. In addition to this annual cost differential, there is an up-front cost differential tied to occupancy costs of approximately \$2 million. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and North Carolina.

OTHER STATE AND LOCAL ASSISTANCE:

Economic Development Job Training funds will be offered to the company at \$500 for up to 92 net new employees for a total of \$46,000. The city of Monroe, in light of the fact that La-Z-Boy moved all its manufacturing out of Michigan in the 1970s, and is therefore not eligible for tax abatements, has offered to waive all building permit fees and utility hook-up fees, expedite the site plan review process, provide additional water/sewer infrastructure and assist the company with its

La-Z-Boy Inc.
Briefing Memo
December 21, 1999
Page Three

recruitment activities. The estimated value of the local government incentive package is \$135,000.

BUT FOR:

Without the assistance offered by the MEGA program, La-Z-Boy Inc., would not locate this new facility in Michigan primarily due to cost factors. Also, the company believes that it will be more difficult to attract information technology specialists to Michigan than it would be to North Carolina. The company believes that it will have to pay a premium to recruit and keep high tech employees in addition to needing to upgrade the look of its corporate headquarters facility.

The company feels that locating this new division at its corporate headquarters in Michigan, while necessitating a large capital expenditure, will be a strong demonstration of the company's commitment to maintaining the corporate headquarters operation in Michigan. As indicated above, the company is going through significant growth through acquisitions. The company anticipates that this growth will continue and that additional new jobs will be created at the headquarters facility.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment tax credit of 100 percent for 14 years for up to 92 net new jobs.