



John Engler, Governor

Doug Rothwell, Chief Executive Officer

MEMORANDUM

DATE: October 2, 1995

TO: Michigan Economic Growth Authority

FROM: Doug Rothwell *D. Rothwell*

SUBJECT: Briefing Memo - Meridian Incorporated

COMPANY NAME:

Meridian Incorporated
17558 171st Avenue
Spring Lake, Michigan 49456

HISTORY OF COMPANY:

Meridian was founded in 1970 and is now a wholly owned subsidiary of Herman Miller, Incorporated, a Fortune 500 manufacturer of office furniture. Meridian is an autonomous operation acquired by HMI in May 1990 which designs, manufactures, markets and sells a separate line of metal casegoods. The company has enjoyed significant growth over the last 5 years. As a result of this tremendous growth, the company is outgrowing its current location in Spring Lake and will need to expand the facility either on adjacent property in Spring Lake or at a greenfield location in Michigan City, Indiana.

Meridian manufactures a line of freestanding office furniture and specializes in filing systems. These systems can be customized to meet customer needs for such things as computer controlled access and custom colors and configurations of components. Meridian also manufactures pedestals and free standing desks for the office market.

PROJECT DESCRIPTION:

Meridian is considering building a new manufacturing facility that has the potential for future expansion. Investment in this project will be approximately \$24 million in building and machinery and equipment. This expansion will create 500 new jobs with an average weekly wage of about \$443 and a total payroll at full production of approximately \$11.5 million annually.

BENEFIT TO STATE:

According to the economic analysis done at the University of Michigan, we estimate this facility will generate a total of 1,471 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$68,634,000 due to the presence of the Meridian Incorporated facility.

This project would create a total of \$1,046 million (1995 dollars) in personal income by the year 2017 for Michigan residents. It would also contribute more than \$1.7 million to local governments and schools through property tax payments over 12 years.

COST ANALYSIS:

As part of the company's site decision process, they have undertaken a comprehensive cost analysis between Michigan City, Indiana and Spring Lake Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Meridian to establish their manufacturing facility in Spring Lake Township rather than Michigan City ranges from \$650,000 to \$1,100,000 over the term of the incentive. The cost differential is primarily attributable to tax cost differences and having to meet EPA non-attainment pollution guidelines in Michigan. Pollution control equipment will cost approximately \$1,800,000 to install in Michigan and the operating costs alone for this equipment are in excess of \$350,000 annually.

Based on data the Michigan Jobs Commission has obtained and analyzed, we feel that the cost differential between states is a reasonable approximation. Therefore, MEGA has been offered to off-set the variance in cost and to provide an incentive to facilitate this investment.

LOCAL FINANCIAL ASSISTANCE:

Local assistance includes a 50 percent property tax abatement valued at nearly \$1.7 million over twelve years.

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RECOMMENDATION:

The Michigan Jobs Commission recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 500 new employees and a business activity credit of 100 percent for a period of 15 years.