



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.MICHIGAN.ORG

MEMORANDUM

DATE: May 20, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Steve Haakenson, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – Northland Corporation, Inc.
Rural MEGA Credit

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COMPANY NAME AND ADDRESS:

Northland Corporation, Inc.
701 Ranney Drive
Greenville, Michigan 48838

HISTORY OF COMPANY:

Northland Corporation was originally founded in 1892 as Ranney Refrigerator Company, manufacturing "ice boxes" until they converted to mechanical refrigeration in 1938. Over the years, the company evolved into a global manufacturer of various high-end refrigerator and freezer products. Since the latest acquisition in 2003 by Aga Foodservice, Inc., Northland Corporation focused on high-end residential and, to a lesser degree, commercial under-counter refrigeration products for global distribution. In November of 2007 AGA sold their entire commercial segment of its business to Italian based Ali ApA. Northland Corporation currently employs 129 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project is to build a 152,000 sq. ft. manufacturing and research and development facility in the Renaissance Zone located in Greenville, Michigan. The existing Greenville production lines will be transferred to this new site. Product lines from other manufacturing sites and the addition of a design & innovation center to focus on excellence in new product development for their refrigeration products will also be moved to the new site. The sale of the commercial segment of their business is expected to reduce 28 positions at their Greenville facility in August of 2008.

The proposed project would create a total of 185 jobs over the next five years, paying an average weekly wage of \$495 and would include a total capital investment of \$9.6 million.

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 337 jobs in the state by the year 2020. Total state government revenues through the year 2020, net of MEGA costs and adjusted for inflation, would be increased by \$9.6 million (2008 dollars) due to the presence of this facility.

COMPETITIVE DISADVANTAGE:

Northland Corporation's parent company, Aga Foodservice, is considering this expansion at either their Greenville, Michigan site or another current site in Richmond, Indiana. In order to accommodate the additional product lines and design and innovation center, Northland Corporation would need to move to a new facility in Greenville while the Richmond facility would only require some building renovations. Therefore, the cost gap is largely due to the upfront construction costs. This gap is estimated at \$6.6M.

STATE AND LOCAL ASSISTANCE:

The MEDC has also approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant for the new employees hired during the first year of operations. The value of this grant will be \$500/employee, for up to \$42,500

Northland Corporation will also be receiving the benefit of locating in the Greenville Renaissance Zone. The remaining life of this zone is 13 years and is estimated to provide tax relief of \$2.5 million for Northland Corporation.

The City of Greenville supports this expansion and anticipates approval of 50 percent property tax abatement on debt millage for 12 years. Approval of the tax abatement is expected to take place on May 20, 2008. This abatement has an estimated value of \$217,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for 12 years, for up to 185 net new employees.