

MEMORANDUM

Date: November 17, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Greg West, Project Specialist
Packaging Team

Subject: Briefing Memo – Steelcase, Inc.
Retention MEGA Credit

COMPANY NAME

Steelcase, Inc.
901 44th Street S.E.
Grand Rapids, MI 49508

HISTORY OF COMPANY

Steelcase, Inc., founded in 1912, a publically-owned company headquartered in Grand Rapids, Michigan, is a global leader in workplace interior products, including office space solutions, furniture systems and complimentary technology. The company services their customers through three core brands, Steelcase, Turnstone and Coalesse. While the primary focus of these brands is the office furniture segment, Steelcase is extending their capabilities to serve specialty needs in areas such as healthcare, education and distributed work.

Steelcase, Inc. currently has 3,214 employees in Michigan.

PROJECT DESCRIPTION

Steelcase is in the planning process of phasing out and closing their Corporate Development Center (CDC) location in Gaines Township. The employees of the CDC, which are made up of primarily, designers, engineers, marketing, supply chain, IT and Legal support, will be impacted. As their Global Headquarters in the City of Grand Rapids currently does not have enough space available, Steelcase will be investing over \$18 million in building renovations and infrastructure upgrades in order to house the displaced workers. This expansion gives Steelcase the ability to retain 350 employees whose positions would have otherwise been eliminated.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

Steelcase, Inc. will invest approximately \$18.2 million and retain 350 jobs over the next seven years as a result of this project. The average weekly wage of the qualified retained jobs is \$1,398. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 retain a total of 707 jobs in the state by the year 2018. It is also estimated that the project would maintain total state government revenues through the year 2018, net of MEGA costs, of \$27.4 million (current dollars) due to the retention of this facility.

BUSINESS CASE

As mentioned previously, Steelcase is considering eliminating 350 positions that were located at the CDC and outsourcing their work functions to companies located outside of Michigan. Outsourcing would result in overall savings to the company due to lower labor costs and by not having to make the investment to renovate their Global Headquarters. Steelcase is committed to retaining the employees in Michigan provided incentives are approved to help offset the cost disparity. Additionally, retaining these jobs in Michigan would alleviate concerns regarding the potential displacement of valued team members.

OTHER STATE AND LOCAL ASSISTANCE

Grand Rapids is supportive of this project and anticipates approval of local tax abatements. The estimated value of these incentives is not known at this time.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 50 percent retention employment tax credit for eight years for up to 350 qualified retained employees at the Grand Rapids location, subject to the following:

- Provided that the company maintains a total statewide employment threshold of 2,500 full-time employees, including the 350 qualified retained employees for this project. Failure to do so will result in the remaining years to be forfeited.
- The company must complete an initial capital investment of \$3,500,000 in order to activate a 50 percent retention credit for 70 retained jobs. Subsequent eligible investments of \$50,000 will allow the company to gain a 50 percent credit for an additional qualified retained employee, up to the maximum of a 50 percent credit for all 350 retained jobs.

Steelcase, Inc.
Summary Estimates
(All monetary estimates in current dollars)

TOTAL JOBS RETAINED OR CREATED (as of 2018)	707
Direct	350
Spin-off (includes Indirect Jobs)	357
 NET POSITIVE STATE REVENUE IMPACT	 \$27,428,531
Revenue foregone	\$4,796,469
Revenue gain	\$32,225,000
 Personal income generated over life of MEGA agreement	 \$418,508,000
 Statewide employment multiplier (average, 2013–18)	 2.02
 Average Weekly Wage of Direct Jobs (as reported by the company at time of application)	 \$1,398