



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

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**DATE:** August 17, 2004  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – Steelcase Wood Plant LLC  
Standard Look-Back MEGA Credit

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**COMPANY NAME AND ADDRESS:**

Steelcase Wood Plant LLC  
901 44<sup>th</sup> Street SE  
Grand Rapids, Michigan 49508


**HISTORY OF COMPANY:**

Steelcase Inc. is a Fortune 500 company founded in 1912 and headquartered in Grand Rapids, Michigan. The company has led the global office furniture industry in sales every year since 1974. Its product portfolio includes interior architectural products, furniture systems, technology products, seating, lighting, storage and related products and services. Fiscal 2004 revenue was approximately \$2.3 billion. Steelcase Inc. and its subsidiaries have dealers in more than 900 locations, manufacturing facilities in over 35 locations and approximately 14,000 employees around the world. The company's Class A Common Stock trades on the NYSE under the symbol SCS.

Steelcase currently employs 505 at their wood furniture facility in Gaines Township, Michigan. Other Steelcase wood furniture manufacturing facilities are located in North Carolina, Indiana, and Tijuana, Mexico.

**PROJECT DESCRIPTION:**

Steelcase is proposing to close two wood furniture plants in North Carolina and Indiana. Production at these facilities would be transferred to the company's existing wood plant in Gaines Township, Michigan. As a result, up to 350 jobs will be created in Michigan. These jobs will pay an average weekly wage of \$466. The company will transfer machinery and equipment valued at approximately \$3.4 million into the state, and will also incur \$17 million in severance expenses and capital write-offs due to the closure of the North Carolina and Indiana facilities.



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**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 700 jobs in the state by the year 2014. We also estimate that the project would create total state government revenues through the year 2014, net of MEGA cost and adjusted for inflation, of \$22.5 million (2004 dollars) due to the location of this facility.

**BUT FOR:**

The company was considering a move of this production to their facility in Tijuana, Mexico. The company has experienced lower labor and benefit costs in Mexico, which they estimate could save up to \$10 million per year.

**OTHER STATE AND LOCAL ASSISTANCE:**

Gaines Township has approved 50 percent abatement of the company's new personal property for 4 years for Steelcase Inc., the parent company. Gaines Township plans to transfer the abatement to Steelcase Wood Plant LLC. The estimated value of the local property tax abatement is \$96,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for ten years, for up to 350 net new employees.