

**The Economic Effects on Michigan of  
the Steelcase Wood Plant LLC Facility Expansion Decision**

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### Abstract

*Steelcase Wood Plant LLC, which manufactures office furniture and related products, is proposing to close two wood furniture plants in North Carolina and Indiana and transfer production from those facilities to the company's existing wood plant in Gaines Township, Michigan. The facility would employ an additional 350 people by 2009. We estimate that by 2014, this expansion will have generated a total of 700 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$22,515,000 (2004 dollars) due to the expansion of Steelcase Wood Plant LLC.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Steelcase Wood Plant LLC, which manufactures office furniture and related products, closes two wood furniture plants in North Carolina and Indiana and transfers production from those facilities to the company's existing wood plant in Gaines Township, Michigan. The facility would employ an additional 350 people by 2009.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2005 to 2014, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2005 to 2014 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2009, the first year of full operations, an additional 731 jobs are generated in the state. We estimate that by 2014, this expansion will have generated a total of 700 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 2.0 over the period 2009 to 2014. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Steelcase Wood Plant LLC were to expand its operations in Michigan under the incentive program, state personal income in 2009 would be higher by \$49.1 million (in current

dollars) than it would be without the expansion, and in 2014 it would be \$58.2 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$36 million in 2009 and \$39.9 million in 2014.

The gain in economic activity results in higher state government revenues. We estimate that in 2009, the first year of full operations, the expanded facility would generate \$3,776,000 in additional gross state government revenue, and that the MEGA package would provide a \$364,000 incentive to Steelcase Wood Plant LLC. Thus, the Steelcase Wood Plant LLC expansion would increase state government revenues in 2009 by \$3,412,000, net of MEGA incentive costs.

Over the period 2005 to 2014, gross state government revenue is projected to increase by \$34,397,000 (in current dollars) due to the expansion of Steelcase Wood Plant LLC. The MEGA incentive package for Steelcase Wood Plant LLC is forecast to cost \$3,382,000 over the period, resulting in a net increase in state government revenue of \$31,015,000. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2014 would be \$22,515,000 in 2004 dollars.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Steelcase Wood Plant LLC Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2014	Total 2005-2014
Total Employment	333	597	604	606	731	717	700	—
Manufacturing	164	282	285	286	366	362	357	—
Nonmanufacturing	169	315	319	320	365	355	343	—
Retail Trade	40	71	70	68	79	76	68	—
Services	67	125	122	118	130	122	113	—
Other	62	119	127	134	156	157	162	—
In current dollars (thousands):								
Personal income	16,800	32,700	36,500	39,300	49,100	51,200	58,200	447,300
Gross state revenue	1,292	2,515	2,807	3,022	3,776	3,937	4,476	34,397
MEGA cost	149	250	262	273	364	380	457	3,382
State revenue net of MEGA cost	1,143	2,265	2,545	2,749	3,412	3,557	4,019	31,015
Adjusted for inflation (thousands of 2004 dollars):								
Personal income	13,877	25,844	27,655	29,157	35,997	37,039	39,935	324,720
Gross state revenue	1,067	1,987	2,127	2,242	2,768	2,848	3,071	24,971
MEGA cost	123	198	198	203	267	275	314	2,456
State revenue net of MEGA cost	944	1,789	1,929	2,039	2,501	2,573	2,757	22,515