

## MEMORANDUM

**DATE:** January 23, 2013

**TO:** Michigan Strategic Fund (“MSF”) Board Members

**FROM:** Marcia Gebarowski, Senior Development Finance Manager

**SUBJECT:** Approval of Michigan Business Development Request for \$2,400,000 Performance-based Grant to:

Whirlpool Corporation (“Applicant” or “Company”)  
2000 North M-63  
Benton Harbor, Michigan 49022  
www.whirlpoolcorp.com

---

### MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

### SOURCE OF INFORMATION

It is the role of the Development Finance staff (“MEDC Staff”) to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF’s investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

### HISTORY OF THE APPLICANT

Whirlpool Corporation was founded in Benton Harbor Michigan in November 1911. After more than a century of operations, Whirlpool Corporation today is one of the world’s largest and most innovative home appliance companies. Today, with sales approaching \$20 billion globally, and with the company doing business in over 200 countries, Whirlpool Corporation continues to be a major force in the U.S. industrial area.

In 2010, the Company was awarded a seven year Retention MBT jobs credit that consolidated their existing MBT jobs credits. This credit is expected to be activated in 2014. Additionally, the Company will be requesting a modification to the development agreement for their existing Renaissance Zone located in the City of Benton Harbor at the January 23, 2013 MSF Board meeting.

### PROJECT DESCRIPTION

The Applicant plans to renovate a former Whirlpool manufacturing facility and place refrigeration research and development operations which will be relocated from Evansville Indiana into Michigan, make investments and create jobs related to home appliance engineering and development.

- a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that is located and operates in Michigan.

- b) The project will be located in City of Benton Harbor. The City of Benton Harbor has offered a “staff, financial, or economic commitment to the project” in the form of property tax abatements under PA 198 for 12 years. The estimated value of this abatement is \$1.85 million.
- c) The Applicant has demonstrated a need for the funding based on competitive economic incentive packages from Iowa and competing site in Mexico.
- d) The Applicant plans to create 180 Qualified New Jobs above a statewide base employment level of 3101.
- e) The project meets the program guidelines as follows: the proposed project involves the project will result in the re-use of an existing facility located in a distressed city and is expected to involve significant investment and highly paid jobs. The project involves out of state competition and is projected to result in a net positive return for the State of Michigan.

#### **INCENTIVE OPPORTUNITY**

This project involves the creation of 180 Qualified New Jobs, \$10,000,000 in Qualified Investment and a total capital investment of up to \$18,945,000 in the City of Benton Harbor. The requested incentive amount from the MSF is \$2,400,000 in the form of a performance-based grant. Please see below for more information on the recommended action.

#### **RECOMMENDATIONS**

MEDC Staff recommends (the following, collectively, “Recommendation”):

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (collectively, “MBDP Proposal”);
- b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence, (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.