

MEMORANDUM

Date: July 20, 2010
To: Michigan Economic Growth Authority
From: Marcia Gebarowski, Project Specialist
Packaging Team
Subject: Briefing Memo – Whirlpool Corporation
Retention MEGA Credit

COMPANY NAME

Whirlpool Corporation
2000 North M-63
Benton Harbor, Michigan 49022

HISTORY OF COMPANY

Whirlpool Corporation, incorporated in 1955, is the world's leading manufacturer and marketer of major home appliances. Worldwide, Whirlpool manufactures products in 12 countries and markets products in nearly every country around the world. In North America, Whirlpool markets and distributes major home appliances and portable appliances under a variety of brand names including Whirlpool, Maytag, KitchenAid, Jenn-Air, Magic Chef and many more.

Whirlpool Corporation currently has 3,198 employees in Michigan.

PROJECT DESCRIPTION

Since 2001, Whirlpool has doubled its employment in Michigan. As a result of this growth, Whirlpool employees are spread across over 15 buildings in the Twin Cities region. These facilities are at capacity, most are a 20 minute drive from one another, some facilities are on year-to-year leases, and other facilities have had maintenance deferred to the point where it has become a challenge to recruit high quality talent.

Whirlpool proposes to construct a new downtown campus in Benton Harbor and to make capital improvements at other facilities as part of a plan to consolidate its Michigan footprint while enhancing the work environment of the company.

Whirlpool plans to invest approximately \$86.8 million and retain 868 jobs over the next five years as a result of this project. The average weekly wage for the retained jobs will be \$1,980. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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

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 2430 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 \$53,784,145 (current dollars) due to the retention of this facility.

BUSINESS CASE

Whirlpool is evaluating other major cities to build its International headquarters such as Chicago or Atlanta for better airport access to international destinations, land availability to build class A offices, quality of education, cultural and recreational venues and quality of life for attracting and retaining top talent.

OTHER STATE AND LOCAL ASSISTANCE

In addition to the MEGA tax credit, the MEDC will also recommend to the MEGA Board approval of a large UDAP Brownfield MBT credit designated for up to 20% and Tax Increment Financing for the new construction of a downtown campus building. The project site is currently in an Act 381 workplan and eligible activities can be reimbursed with state and local tax capture. We anticipate approval of these incentives at a future board date.

The MEDC will also recommend to the MSF Board approval of up to \$3 million in CDBG infrastructure funds as well as a recommendation of time extensions for two Geographic Renaissance Zones located in Benton Township and City of St. Joseph respectively, for up to 12 years, subject to local approvals. The MEDC is also supportive of an Urban Land Assembly loan of up to \$3 million to the City of Benton Harbor. We anticipate the approval of the CDBG and Renaissance Zone incentives to be approved at a later MSF Board date.

The City of Benton Harbor will consider the authorization of Urban Land Assembly (ULA) funds for the new downtown campus as well as property tax abatements. Benton Charter Township will also consider the approval of property tax abatements for the renovations proposed to the Ad Center.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for five years for the 868 retained employees at any facility in Berrien County contingent upon the following:

- The company agrees to set aside its three existing MEGA credits upon activation of the MEGA credit for the described project; and
- The company must maintain a statewide employment threshold of 2,300. Failure to meet this threshold will result in the company not being able to collect the credit that year.