



MEMORANDUM

DATE: April 12, 2001
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Whirlpool Technologies, Inc.

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COMPANY NAME AND ADDRESS:

Whirlpool Technologies, LLC
c/o Whirlpool Corporation
2000 M63
Benton Harbor, Michigan 49022

HISTORY OF COMPANY:

Whirlpool Technologies, LCC is a single member LLC of Whirlpool Corporation with no current employees in Michigan. Whirlpool Corporation is one of the world's largest home appliance companies with over 10,000 employees worldwide and with sales over \$2.5 billion.

PROJECT DESCRIPTION:

Whirlpool Technologies will help Whirlpool Corporation put a new focus on revenue growth through investments in innovation. The plan would be to relocate a technology center currently located in Dayton, Ohio to St. Joseph, Michigan to realize synergies with Whirlpool's existing tech center in St. Joseph. Over 100 jobs would be transferred from Ohio, as well as the transfer and creation of up to 64 additional jobs within three years, for a total potential employment of 164. These jobs would mostly be in the areas of research, development and testing of new product lines to help Whirlpool remain competitive in the years ahead. Salaries would average \$1,132 per week, with a benefit package of up to 30% of wages.

A new building would be constructed in the St. Joseph Renaissance Zone to house the new technical center. The company would make approximately \$11.5 million of capital expenditures. This figure does not include the cost of relocating the 100 jobs and related machinery from Ohio to Michigan, which is estimated to cost an additional \$4.9 million.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 354 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs and adjustment for inflation, would be increased by \$27 million (2001 dollars) due to the presence of this facility.

BUSINESS CASE:

While Whirlpool continues to be committed to its corporate headquarters and administrative center being located in Benton Harbor, Michigan, the area presents many challenges to the company in terms of additional growth. Benton Harbor is not near a major metropolitan community and is not as attractive a location for young engineering and technical talent that would be required for this facility. The company, in addition to paying the relocation expenses cited above, would have to offer top pay to talent it is trying to recruit to the Benton Harbor area. While the company realizes the synergies it would be able to enjoy with both technical centers being on the same campus, it is hard to justify to its Board of Directors and stockholders the additional costs this would necessitate. Provision of the High Tech MEGA for this project would help to offset these challenges and make the project much more viable in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The company will be located in the Renaissance Zone in the City of St. Joseph. This location will save the company an estimated \$2,593,205 in property taxes. Also, the City will be providing infrastructure assistance totaling \$280,000 for roads, \$175,000 for land and fill improvements on the site and \$100,000 for a community-wide recruitment effort to assist in the recruitment of talent needed by the company. In addition, Berrien County

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is providing Whirlpool Technologies with a \$1 million grant which may be used to cover relocation and other expenses associated with the creation of up to 164 new jobs.

The State of Michigan will be providing abatement of the state education tax as part of the Renaissance Zone benefits. The estimated value of this abatement is \$332,469. In addition, the company will not have to pay the Single Business Tax for the first 10 years of the project due to the Renaissance Zone, the value of which is estimated at \$661,827. An Economic Development Job Training (EDJT) grant of \$1 million to cover all 385 employees the company will be hiring for this project as well as their Benton Township project, will also be provided to the company.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a high-technology employment credit of 100 percent for seventeen years for 164 net new jobs and a business activity credit of 100 percent for seven years beginning in year eleven of the project when the Renaissance Zone benefits expire.