

MEMORANDUM

Date: March 16, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

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Packaging Team

Subject: Briefing Memo – Masco Cabinetry Company
Standard and Retention MEGA Credit

COMPANY NAME

Masco Cabinetry Company
21001 Van Born Road
Taylor, Michigan 48180

HISTORY OF COMPANY

Masco Builder Cabinet Group (BCG), headquartered in Adrian, Michigan has been a long-time leader in the manufacturing and installation of kitchen and bath cabinetry. Masco Retail Cabinetry Group (RCG) headquartered in Middlefield, Ohio manufactures and distributes kitchen and bath cabinetry through big box retailers. Masco Corporation, a Michigan headquartered Fortune 500 company and parent company to both BCG and RCG, has committed to combine the two organizations to form the new Masco Cabinetry Company.

Masco Corporation currently has 1272 employees in Michigan.

PROJECT DESCRIPTION

Masco Cabinetry Company proposes to establish a new headquarter facility in Ann Arbor Township, Michigan. The company is proposing to purchase an existing building that will house executive oversight, technical and R&D resources as well as all corporate finance, marketing and IT services to the cabinet group. This project is expected to transfer 206 jobs from the current RCG headquarters in Adrian to the new facility in Ann Arbor Township as well as consolidate jobs from BCG's current headquarters in Ohio to their proposed site in Ann Arbor Township.

Masco Cabinetry Company anticipates an investment of approximately \$20.6 million. It is estimated that the project may create up to 250 jobs with an average weekly wage of \$1,300 and retain a total of 206 jobs with an average weekly wage of \$1,120 over the next five years. 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 535 jobs and create a total of 686 jobs in the state by the year 2016. It is also estimated that the project would maintain or increase total state government revenues through the year 2019, net of MEGA costs, of \$40.7 million (current dollars) due to the retention of this facility.

BUSINESS CASE

The primary competition for this project is the State of Ohio where the Retail Cabinetry Group is currently located. The company has received a comparable incentive offer from the State of Ohio and the overall Michigan tax structure appears to be higher than Ohio as the Ohio Commercial Activity Tax (CAT) will provide the company more favorable tax treatment. Additionally, the cost of living appears to be lower in the Toledo, Ohio area when compared to the Ann Arbor/Washtenaw County region.

OTHER STATE AND LOCAL ASSISTANCE

Ann Arbor Township is supportive of this project and proposes to support a PA 198 tax abatement on real and personal property. MEDC staff's estimated value of this abatement for six years is \$204,588.

The MEDC anticipates approval of a 6-mill abatement of the State Education Tax (SET) millage for the new real investment of property included in the local property tax abatement. The term of this abatement will be consistent with the local tax abatement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 10 years for up to 250 qualified new employees at the Ann Arbor Township facility in excess of the company's statewide base of 1,272 and up to a 100 percent retention employment tax credit for 10 years for the 206 existing Michigan employees that will be retained at the new Ann Arbor Township facility. This recommendation is subject to the following conditions:

- Provided that the company create and maintain 250 qualified jobs by the end of the seventh year, failure to do so will result in the forfeiture of the remaining credit years;
- Masco Cabinetry Company, parent and affiliated companies must maintain a total statewide employment threshold of 890 full-time employees, including the 206 qualified retained employees associated with the project at the project site. Failure to meet the threshold will result in the company not being able eligible for the credit that year.