



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.
LANSING, MI 48913

CUSTOMER
ASSISTANCE CENTER
517 373 9808

WWW.THEMEDC.ORG

Date: June 16, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

Joshua Hundt, Project Specialist
Packaging Team

Subject: Briefing Memo -- Farmers Group, Inc.
Standard MEGA Credit

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COMPANY NAME

Farmers Group, Inc.
5600 Beechtree Lane
Caledonia, MI 49316

HISTORY OF COMPANY

Farmers Group, Inc. was founded in 1928 and is a provider of insurance management services. The Farmers Insurance Group of companies is currently the third largest writers of both personal private lines of automobile and homeowners insurance. The company is headquartered in Los Angeles, California and services 15 million customers across 41 states.

The Farmers Insurance Group of companies currently has 2,014 employees in Michigan.

PROJECT DESCRIPTION

The proposed project is the construction of two new buildings in Caledonia Township, Kent County. The buildings will be built on the campus of Foremost Insurance Company, a company affiliated with Farmers Group, Inc.

The first building will be a 262,000 square foot office building consisting of a large call center and other office operations. The office building will also hold a large training facility, known as University of Farmers, which will train over 5,000 of the company's insurance agents each year. The second building will be a 100,000 square foot light industrial building that will consist of a large print and materials distribution center.

Farmers Group, Inc. will invest approximately \$84.4 million and create 1,600 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$680. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 generate a total of 2,727 jobs in the state by the year 2028. Total state government revenues through the year 2028, net of MEGA costs, would be increased by \$177 million (current dollars) due to the presence of this facility.

BUSINESS CASE

Farmers Group, Inc. also considered Kansas and Oklahoma for this expansion. At both of these locations the company would be able to use current facilities that they own or lease for the expansion and would not have as much construction costs as they have in Michigan. Average wages are also lower at both of these locations.

OTHER STATE AND LOCAL ASSISTANCE

Caledonia Township is supportive of this project and plans to approve a property tax abatement under PA 328 of 1998 for this expansion. The estimated value of this incentive is not known at this time.

The Michigan Economic Development Corporation has approved \$335,000 in training funds for this project. The training funds will be in the form of a grant through the Economic Development Job Training program.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 18 years for up to 1,600 net new employees in excess of the company's established base of 2,029, subject to the following:

- The company creates a minimum of 1,000 jobs, over the employment base of 2,029, by the end of the twelfth year of operations and continues to maintain that number in future years. Failure to do so will result in the remaining years to be forfeited; and
- The company creates a minimum of 1,400 jobs, over the employment base of 2,029, by the end of the seventeenth year of operations and continues to maintain that number in future years. Failure to do so will result in the remaining year to be forfeited.