



## STATE OF MICHIGAN

MICHIGAN JOBS COMMISSION

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### MEMORANDUM

**DATE:** July 14, 1998

**TO:** Michigan Economic Growth Authority Board

**FROM:** Greg Burkart, Director, International and National Business  
Development *AA for ISB*

**SUBJECT:** Briefing Memo - Alliant Foodservice, Incorporated

#### COMPANY NAME:

Alliant Foodservice, Incorporated  
27000 Wick Road  
Taylor, Michigan 48180

#### HISTORY/DESCRIPTION OF COMPANY:

Alliant Foodservice, Incorporated, is a broadline foodservice distribution company servicing the needs of restaurants, hospitals, hotels, and similar industries. It is one of only three food distribution companies with national distribution and has over 40 facilities in 30 states.

Alliant Foodservice, headquartered in Deerfield, Illinois, is a privately held company owned by Clayton, Dubilier and Rice. It was formerly Kraft Foodservice, which was purchased in 1995. Alliant Foodservice, Incorporated, has exclusive distribution rights to all Kraft products, as well as distribution of hundreds of other brand products.

#### PROJECT DESCRIPTION:

Alliant Foodservice, Incorporated, currently operates two separate facilities, and leases a third in Southeast Michigan. They have an office and warehouse facility in Taylor, a leased freezer in Taylor, and another warehouse facility in Livonia. These facilities are primarily involved in the distribution of food and food related products. Alliant does some food repackaging at these facilities. There are currently 345 total employees at these facilities.

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Alliant Foodservice, Incorporated, wants to consolidate and expand its facilities into one 310,000 square foot facility in Lyons Township. This new facility would be owned by Alliant and would involve new food moving equipment such as electric pallet jacks, fork lifts and computerized order selection equipment. The project period begins in July, 1998. Capital investment includes \$21 million for the new facility, \$2.2 million for machinery and equipment, and \$3 million for land. The facility would also have extensive refrigeration and freezer systems. As a result of the new facility, Alliant would be creating 149 new jobs within three years. The average weekly wage is \$750 (\$18.75 hourly). Benefits represent 21 percent of payroll.

## **BENEFIT TO STATE:**

According to the economic analysis prepared by the University of Michigan, we estimate this facility will generate a total of 149 new jobs in the state by the year 2002. Total state government revenues through the year 2014, net of MEGA costs and adjusted for inflation would be increased by \$13,962,000 (1998 dollars) due to the presence of the Alliant Foodservice facility.

## **COST ANALYSIS:**

As part of its decision process, the company has undertaken a comprehensive cost analysis between Cleveland, Ohio, and Lyons Township, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Alliant Foodservice, Incorporated, to establish its new manufacturing facility in Lyons Township, Michigan, rather than Cleveland, Ohio, ranges from approximately \$2,579,992 to \$27,119,229 over the life of the incentive. The cost differential is primarily due to building costs of \$21,072,237 in the first year. Michigan Jobs Commission staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Ohio.

## **OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan will be providing job training funds totaling up to \$74,500.

There is a possibility that MDOT funds could be used to provide limited road improvements to 12 Mile Road.

Local assistance will be in the form of infrastructure improvements valued at \$3,600,000. Lyons Township will be extending water and sewer lines to the site. Lyons Township will be funding infrastructure improvements through private developer financing.

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**BUT FOR:**

The company has examined the cost differential between locating in Cleveland, Ohio, Lyons Township, Michigan, and also the factors that could influence it to locate in Ohio despite a cost disadvantage. The company would not consider locating in Michigan the MEGA tax credit to offset wage and tax differentials.

**RECOMMENDATION:**

The Michigan Jobs Commission recommends a MEGA personal income tax credit percent for 15 years.