



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: July 13, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – The Delfield Company
Rural MEGA Credit

COMPANY NAME AND ADDRESS:

The Delfield Company
980 South Isabella Road
Mt. Pleasant, Michigan 48858

HISTORY OF COMPANY:

Delfield is one of the largest manufacturers of stainless steel refrigeration equipment for the food service industry. The current facility in Mt. Pleasant manufactures custom chef counters, drop ins, display cases and ventilation units. Delfield began in 1949 in Detroit, however the company was moved to Mt. Pleasant in 1971. In 1999, the company was purchased by Endonis PLC of England, one of the largest manufacturing food service equipment companies in the world. Delfield currently has over 500 people at their facility in Mt. Pleasant.

PROJECT DESCRIPTION:

Delfield is in negotiations with a multi-national restaurant chain to develop and manufacture a small refrigeration unit, with a refrigerated base, top and raised rail as well as a dry storage unit for a new sandwich they are developing. Delfield is considering Mt. Pleasant and a facility they operate in Tennessee for this project. If the project locates in Mt. Pleasant, the company would add 110 new positions in the first year of the project and 219 new positions in the next two years. We are recommending the 120-day look-back be applied to this project because the company has already hired 89 people related to this project. This was necessary because the potential customer required the company to manufacture 2,000 units to use during the test market stage. If Delfield is awarded the full contract, these employees would be retained. The new positions would pay a starting average weekly wage of \$420, but wages would quickly grow to \$640 per week.

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The project would require a capital investment of \$4.0 million, all for new machinery and equipment, as the project would not require additional square footage at the Mt. Pleasant facility.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation, utilizing Regional Economic Models, Inc. software, we estimate that this facility will create a total of 264 jobs in the state by the year 2011. We also estimate that the project would create total state government revenues through the year 2011, net of MEGA cost and adjusted for inflation, of \$4.4 million (2004 dollars) due to the location of this facility.

BUT FOR:

Delfield is considering Mt. Pleasant and a facility they own in Tennessee for this project. When comparing the two locations, the company estimates that wage rates at the Tennessee facility are 25% lower than Mt. Pleasant. When this project is fully staffed, that 25% wage differential would save the company nearly \$1.8 million annually in wage costs. In addition, the facility in Tennessee has excess capacity which would allow the project to meet the timeframes outlined by the potential customer.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 219 new workers, or up to \$109,500.

Union Township has proposed 50 percent abatement of the company's new personal property for 12 years. The estimated value of the local property tax abatement is \$268,200. The abatement is expected to be finalized on July 14, 2004.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent look-back employment tax credit for seven years, for up to 219 net new employees.