



## MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

### MEMORANDUM

**DATE:** April 15, 2003

**TO:** Michigan Economic Growth Authority

**FROM:** Jim Donaldson, Vice President  
Business Development

**SUBJECT:** Briefing Memo – Gordon Food Service, Inc.  
Standard Credit

#### COMPANY NAME AND ADDRESS:

Gordon Food Service, Inc.  
333 Fiftieth Street, SW  
Grand Rapids, Michigan 49501

#### HISTORY OF COMPANY:

Gordon Food Service is headquartered in Grand Rapids and is a full-line distributor and retailer of food products for restaurants, hospitals, schools and institutions, as well as the general public through their Marketplace stores. The company is a family-owned business with over 100 years of experience, and is the largest privately held food service distributor in North America. Currently, Gordon Food Service serves over 20,000 customers, mainly in the Midwest and Canada. The company currently has over 2,000 employees in Michigan, including over 500 full-time employees at their 45 MarketPlace stores.

#### PROJECT DESCRIPTION:

Gordon Food Service needs to expand their food service distribution capacity due to growth in Michigan, Ohio and Indiana. The company is considering a site in Green Oak Township or Toledo, Ohio, where they would construct an approximately 200,000 square foot facility. The new operation would create 75 new jobs in the first year of the project and up to 125 new jobs over five years. The new positions will pay an average weekly wage of \$508, plus a benefits package valued at approximately 40% of wages.

Total capital investment for the project would be approximately \$19.5 million, including \$3.0 million for land and site preparation costs, \$12.5 million for building costs, and \$4 million for new machinery and

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Briefing Memo  
Gordon Food Service, Inc.  
April 15, 2003  
Page Two

equipment. Construction on the building would begin in July 2003, with operations starting in June 2004.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 232 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs and adjusted for inflation, would be increased by \$7.1 million (2002 dollars) due to the presence of this facility.

**BUT FOR:**

As part of the company decision-making process, Gordon Food Service compared the costs of the project in Green Oak Township to Toledo, Ohio. After a comprehensive analysis, the company identified three major cost gaps. The first is that the company will receive free land in Ohio, saving the company more than \$1.8 million in up front costs compared to Michigan. Second, the company will receive at least a 10-year, 100% property tax abatement in Ohio. In Michigan, the company is not eligible for tax abatement, therefore the company will incur costs approximately \$300,000 per year higher in Michigan for the duration of the Ohio tax break. Finally, due to the markets and stores served by this facility, transportation costs will be greater with the location of the facility in Michigan. Gordon Food Services estimates these costs will range from \$300,000 to over \$1 million more in Michigan per year, once additional stores are opened in Ohio.

**OTHER STATE AND LOCAL ASSISTANCE:**

The company will be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$38,200.

Green Oak Township approved a resolution on March 19, 2003 waiving certain Building Department and planning fees related to this project, up to \$45,000.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 12-year employment tax credit of 100 percent for the initial ten years, 75 percent for the eleventh year, and 50 percent for the twelfth year, for up to 125 net new employees.