

**The Economic Effects on Michigan of the  
Gordon Food Service, Inc. Facility Location Decision**

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### Abstract

*Gordon Food Service, Inc. is considering building a new food service distribution facility in Green Oak Township, Michigan. The facility would employ an additional 125 people by 2007. We estimate that by 2015, this location will have generated a total of 232 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$7,077,000 (2002 dollars) due to the location of Gordon Food Service, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Gordon Food Service, Inc. building a new food service distribution facility in Green Oak Township, Michigan (SIC 5140). Investment activity would take place in 2003, with an investment of \$19.5 million. The facility would employ an additional 125 people by 2007.

The estimates of the benefits include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2003 to 2015, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project for the period 2004 to 2013, equal to 75 percent in 2014, and equal to 50 percent in 2015.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The investment activity is expected to generate a total of 249 jobs in 2003; almost all of these jobs are temporary. In 2007, the first year of full operations, an additional 233 jobs are generated in the state. We estimate that by 2015, this location will have generated a total of 232 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the location averages 1.8 over the period 2007 to 2015. Sectoral detail on the employment gains is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Gordon Food Service, Inc. were to locate its operations to Michigan under the incentive program, state personal income in 2007 would be higher by \$12.1 million (in current dollars) than it would be without the location, and in 2015 it would be \$16.2 million higher.

Adjusted for inflation, these numbers in 2002 dollars would be \$8.1 million in 2007 and \$9.9 million in 2015.

The gain in economic activity results in higher state government revenues. We estimate that in 2007, the first year of full operations, the new facility would generate \$930,000 in additional gross state government revenue, and that the MEGA package would provide a \$120,000 incentive to Gordon Food Service, Inc. Thus, the Gordon Food Service, Inc. location would increase state government revenues in 2007 by \$810,000, net of MEGA incentive costs.

Over the period 2003 to 2015, gross state government revenue is projected to increase by \$12,511,000 (in current dollars) due to the location of Gordon Food Service, Inc. The MEGA incentive package for Gordon Food Service, Inc. is forecast to cost \$1,714,000 over the period, resulting in a net increase in state government revenue of \$10,797,000. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2015 would be \$7,077,000 in 2002 dollars.

None of these estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Economic and Fiscal Effects on Michigan of the Gordon Food Service, Inc. Facility Location  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2010	2015	Total 2003-2015
Total Employment	249	143	192	186	233	223	232	—
Manufacturing	9	0	0	0	0	0	0	—
Nonmanufacturing	240	143	192	186	233	223	232	—
Retail Trade	26	14	18	16	20	18	18	—
Wholesale Trade	7	78	104	103	129	128	128	—
Services	44	32	43	40	52	47	50	—
Other	163	19	27	27	32	30	36	—
In current dollars (thousands):								
Personal income	11,200	7,000	9,200	9,500	12,100	13,400	16,200	162,700
Gross state revenue	861	538	707	731	930	1,030	1,246	12,511
MEGA cost	0	80	111	116	120	169	103	1,714
State revenue net of MEGA cost*	861	458	596	615	810	861	1,143	10,797
Adjusted for inflation (thousands of 2002 dollars):								
Personal income	8,739	4,734	6,148	6,452	8,080	8,667	9,941	106,446
Gross state revenue	672	364	473	496	621	666	765	8,185
MEGA cost	0	54	74	78	80	109	63	1,108
State revenue net of MEGA cost*	672	310	399	418	541	557	702	7,077

\*These estimates do not include any state government revenue losses due to the Investment Tax Credit.