

MEMORANDUM

Date: May 18, 2010

To: Michigan Economic Growth Authority

From: Valerie Hoag, Director
Packaging Team

Phil Santer, Project Specialist
Packaging Team

Subject: Briefing Memo – Grandpapa’s, Inc.
Standard MEGA Credit

COMPANY NAME

Grandpapa’s, Inc
5800 E. Eight Mile Rd.
Detroit, Michigan 48234-1125

HISTORY OF COMPANY

Grandpapa’s, Inc. (“Grandpapa’s”) is one of five privately-held Michigan businesses specializing in the manufacturing, baking, packaging, distributing and shipping of a variety of snack food products. The business began in 1968 when company founder H. Michael Robin began distributing snack foods in Detroit. In 1996, Robin began the manufacturing and wholesale of cheese balls, cheese curls, and pork rinds at their current 40,000 square foot production facility. Grandpapa’s Inc. is Orthodox Union Kochev and USDA approved and has attained the American Institute of Baking (AIB) Superior certification. In 2009, the company was awarded an ongoing contract to produce a major Fortune 500 company’s cheese ball and curl products; 80% of which are exported to Europe, the Middle East, Latin America and Asia. Grandpapa’s Inc. expects to increase their off-shore sales by 60% in 2010.

Grandpapa’s Inc. currently has 23 full-time employees in Michigan.

PROJECT DESCRIPTION

Grandpapa’s Inc. plans to purchase and renovate a 130,000 square foot facility in the City of Detroit. They expect to retain their current location for the production of pork rinds and popcorn snacks and transfer their other production to the new location. This expansion will allow the company to expand their operations through increased contracts. Grandpapa’s Inc. is also exploring an opportunity to produce fish and poultry food for export to Africa and Asia.

Grandpapa’s Inc. and its affiliated business, Grand PaPa’s Snacks, Inc., plans to create up to 73 jobs in the first year and up to 125 jobs over the next five years as a result of the project, paying an average weekly wage of \$435. Employer paid healthcare may be used to meet the statutory wage requirement of 150% of federal minimum wage. Additionally, the company plans to invest up to \$4,180,000 in real and personal property.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 269 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$3.3 million (current dollars) due to the presence of this facility.

BUSINESS CASE

According to their application, Grandpapa's Inc. evaluated the proposed investment relative to South Bend, Indiana, where they identified a cost gap with a Michigan location. South Bend, Indiana is the home of an industry colleague who owns a 250,000 square foot facility where the company could relocate. Some factors included in the cost gap with the Michigan location include the cost and time associated with the rehabilitation of a facility in Michigan which is not needed in Indiana, higher wages in Michigan, higher taxes in Michigan, and the potential collaboration benefits with their industry colleague.

OTHER STATE AND LOCAL ASSISTANCE

The City of Detroit is supportive of this project and plan to consider property tax abatements through P.A. 198 of 1974 and P.A. 328 of 1998. Staff estimates the value of these local abatements at \$347,000 over their term. It is anticipated that these abatements will be considered at a future date.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for 5 years for up to 125 net new employees in excess of the company's established base of 23.