



## MEMORANDUM

**Date:** April 19, 2011

**To:** Michigan Economic Growth Authority

**From:** Stacy Bowerman, Project Specialist  
Packaging Team

**Subject:** Briefing Memo – Hearthside Food Solutions, LLC  
Standard MEGA Credit

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### COMPANY NAME

Hearthside Food Solutions, LLC  
5353 Broadmoor, Suite 100  
Kentwood, Michigan 49512  
[www.hearthsidefoods.com](http://www.hearthsidefoods.com)

### HISTORY OF COMPANY

Hearthside Food Solutions, LLC (“Hearthside”) is a privately held baking company providing manufacturing and packaging services to several of the large, nationally branded snack food companies in the United States. Hearthside’s portfolio of products includes several major cold formed granola bars and baked snack mix products for national distribution. Through its acquisitions Hearthside brings over 80 years of baking experience and customized solutions to its customers.

Hearthside was established in 2009, and has operations throughout the United States with over 5,000 employees. Currently, Hearthside operates four facilities in Michigan with 1,129 employees.

### PROJECT DESCRIPTION

Hearthside’s customers are requesting that the company install additional capacity for granola bars and baked snacks. The additional capacity will increase their annual output by up to 50 percent. If located in Michigan, the company will need to invest in building renovations and production machinery in three of its existing facilities to support this project. The majority of the investment and job creation will occur at Hearthside’s facility located on Shaffer Avenue in Kentwood, Kent County. The company will also make significant investment and plans to create jobs at its 44<sup>th</sup> Street facility in Kentwood, as well as its Oak Industrial Drive facility in Grand Rapids, Kent County.

Hearthside proposes to investment approximately \$17.5 million and create 302 jobs over the next five years, with 195 jobs projected in year 1, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$486. The company also offers healthcare benefits, and plans to

pay a portion of the benefit cost. 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 662 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, would be increased by \$9.8 million (current dollars) due to the presence of this facility.

### **BUSINESS CASE**

Hearthside is also considering several of its existing locations outside of Michigan for this project. Locations under consideration are McComb, Ohio; Michigan City, Indiana; Eugene, Oregon; and London, Kentucky with Kentucky being the leading candidate. The company cited lower labor costs in Kentucky as the primary disadvantage of locating in Michigan. Hearthside is also exploring incentives offered in Kentucky including sales and use tax rebates, job creation tax credits, and property tax abatements offered.

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

The City of Kentwood and the City of Grand Rapids are supportive of this project and anticipate approval of real and personal property tax abatements under Public Act 198 of 1974. The City of Kentwood anticipates approval of a 12-year abatement on real property and an eight-year abatement on personal property for a total estimated value of \$772,000. The City of Grand Rapids anticipates approval of a five-year tax abatement on real and personal property with an estimated value of \$77,000.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent standard employment tax credit for five years for up to 302 net new employees in excess of the company's established base of 1,153.