



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: March 17, 2009

TO: Michigan Economic Growth Authority

FROM: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging

Marcia Gebarowski, Project Specialist
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SUBJECT: Briefing Memo – Meijer Distribution, Inc.
Standard MEGA Credit

COMPANY NAME:

Meijer Distribution, Inc.
2929 Walker Avenue NW
Grand Rapids, MI 49544

HISTORY OF COMPANY:

Meijer has been a retailer headquartered in Michigan for 75 years with stores throughout the Midwest region. Meijer Distribution, Inc. is the retail operations support system for all Meijer stores. All of Meijer's nearly 200 stores are supported by one of five Meijer distribution complexes.

The company currently has 1,427 full-time employees in Michigan.

PROJECT DESCRIPTION:

The company plans to expand the distribution center in Berlin Township, Monroe County, Michigan to support new stores slated to open in 2010 and beyond. The existing facility is at physical capacity and cannot fill additional delivery trucks that would be needed for those new stores. This expansion project would add 245,000 square feet and increase the facility's ability to serve an additional 56 new stores, thus more than doubling its capacity.

Meijer Distribution, Inc. will invest approximately \$27 million and create 190 jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$462. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

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 366 jobs in the state by the year 2017. Total state government revenues through the year 2017, net of MEGA costs, would be increased by \$7.5 million (current dollars) due to the presence of this facility.

BUSINESS CASE:

Meijer Distribution, Inc. also has a facility in Middlebury, Indiana that could house an expansion project. The cost of labor at the company's alternate location is significantly less as are health care costs for those employees.

OTHER STATE AND LOCAL ASSISTANCE:

Berlin Township plans to support this project by offering a 12 year P.A. 198 on real and personal property to Meijer Distribution, Inc. The estimated value of this incentive is not known at this time.

The MEDC has also approved training funds for the project through its Economic Development Job Training program. The MEDC will provide an employee training grant of up to \$370 per job for the new jobs expected to be hired in the first two years of the project. This training grant could be worth up to a maximum of \$35,000.

Further, the MEDC anticipates approval of a 3-mill abatement of the State Education Tax (SET) millage for the new real investment of property included in the local property tax abatement. The term of this abatement will be consistent with the local tax abatement.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for eight years for up to 190 net new employees in excess of the company's established base of 1,427 subject to the following:

- Provided that the company creates and maintains a minimum of 190 jobs at this facility, over the employment base of 1,427, by the end of the seventh year of operations. Failure to do so will result in the remaining year to be forfeited.