

MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: August 26, 2003
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – USF Technology Services
High Technology Credit

COMPANY NAME AND ADDRESS:

USF Technology Services, Inc.
8550 West Bryn Mawr Avenue, Suite 700
Chicago, IL 60631

HISTORY OF COMPANY:

USF Corporation provides comprehensive supply chain management services to a broad customer base across multiple industries, with annual sales exceeding \$2.3 billion. USF Technology Services, a wholly owned subsidiary of USF, was organized in December 2001 to design, develop, implement and support common applications and information technology infrastructure for USF and its operating companies.

PROJECT DESCRIPTION:

At present, USF operating companies have information technology functions located in nine states. Historically, each affiliate has run independent applications across a decentralized infrastructure. USF plans to develop shared applications to manage its business functions. Key for developing and implementing these new applications is the establishment of a centralized technology center. The location options for this technology center are Grand Rapids Township and Chicago, Illinois.

If USF selects Michigan, the project is expected to result in the creation of 80 jobs over the first five years with an average weekly wage of \$1,402. USF Technology Services will also invest \$28 million in computer hardware and peripherals.



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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, we estimate that this facility will generate a total of 153 jobs in the state by the year 2012. Total state government revenues through the year 2012, net of MEGA costs and adjusted for inflation, would be increased by \$3 million (2003 dollars) due to the presence of this facility.

BUT FOR:

As part of the company's decision-making process, USF compared the costs of the project in Grand Rapids and at their site in Chicago. The company faces higher taxes in Michigan. This differential is estimated to be approximately \$1 million per year once the project is fully staffed.

OTHER STATE AND LOCAL ASSISTANCE:

Grand Rapids Township approved a 50 percent abatement of the company's new personal property taxes for twelve years. This high technology tax abatement has an estimated value of \$457,000. In addition, the State of Michigan has offered a 100 percent abatement of the 6-mill state education tax worth up to \$147,000.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 10 years for up to 80 net new employees.