

**The Economic Effects on Michigan  
of the Alliant Foodservice, Inc., Facility Expansion Decision**

**George A. Fulton  
Peter Nicolas  
Donald R. Grimes**

**University of Michigan  
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### Abstract

*Alliant Foodservice, Inc., a broadline foodservice distribution company with over 40 facilities in 30 states servicing the needs of restaurants, hospitals, hotels, and similar industries, is considering consolidating and expanding its three existing facilities in southeast Michigan into one 310,000-square-foot facility. The new facility would have new food moving equipment, including electric pallet jacks, fork lifts and computer order selection equipment. The expanded facility would employ an additional 149 people by 2002. We estimate that by 2014, this expansion will have generated a total of 292 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$13,962,000 (1998 dollars) due to the expansion of Alliant Foodservice, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of the proposed consolidation and expansion by Alliant Foodservice, Inc., of its three existing facilities in southeast Michigan into one 310,000-square-foot facility (SIC 5141). Alliant Foodservice, Inc., is a broadline foodservice distribution company with over 40 facilities in 30 states servicing the needs of restaurants, hospitals, hotels, and similar industries. The new facility would have new food moving equipment, including electric pallet jacks, fork lifts and computer order selection equipment. Investment activity would take place between 1998 and 2000, with an investment of \$26.254 million, and production would begin in July 1999. The new facility would employ 149 people by 2002.

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 1998 to 2014, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2000 through 2014 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the expansion. The payroll tax credit represents 100 percent of the maximum employment credit available to a company.

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 expansion of the facility is expected to generate a total of 372 jobs in 1998; almost all of these jobs are temporary. In 2002, the first year of full operations, an additional 269 jobs are generated in the state. We estimate that by 2014, this facility addition will have generated a total of 292 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 expansion averages 1.8 over the period 2002 to 2014. 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 Alliant Foodservice, Inc., were to expand in Michigan under the incentive program, state personal income in 2002 would be higher by \$14.7 million (in current dollars) than it would be without the facility, and in 2014 it would be \$25.2 million higher. Adjusted for inflation, these numbers in 1998 dollars would be \$13.7 million in 2002 and \$17.3 million in 2014.

The gain in economic activity results in higher state government revenues. We estimate that in 2002, the first year of full operations, the facility would generate \$1,176,000 in additional gross state government revenue, and that the MEGA package would provide a \$354,000 incentive to Alliant Foodservice, Inc. Thus, the Alliant Foodservice, Inc., facility expansion would increase state government revenues in 2002 by \$822,000, net of MEGA incentive costs.

Over the period 1998 to 2014, gross state government revenue is projected to increase by \$23,208,000 (in current dollars) due to the expansion of Alliant Foodservice, Inc. The MEGA incentive package for Alliant Foodservice, Inc., is forecast to cost \$6,176,000 over the period, resulting in a net increase in state government revenue of \$17,032,000. Adjusted for inflation, the total net increase in state government revenue from 1998 to 2014 would be \$13,962,000 in 1998 dollars.

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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 Alliant Foodservice, Inc. Facility Expansion  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1998	1999	2000	2001	2002	2005	2010	2014	Total 1998-2014
Total Employment	372	69	144	235	269	259	273	292	—
Manufacturing	12	0	0	0	0	0	0	0	—
Nonmanufacturing	360	69	144	235	269	259	273	292	—
Retail Trade	43	7	17	28	31	27	27	29	—
Wholesale Trade	8	42	84	135	154	153	153	153	—
Services	60	11	29	50	56	52	60	70	—
Other	249	9	14	22	28	27	33	40	—
In current dollars (thousands):									
Personal income	14,300	4,600	7,700	12,200	14,700	16,600	20,700	25,200	290,100
Gross state revenue	1,144	368	616	976	1,176	1,328	1,656	2,016	23,208
MEGA cost	0	0	166	287	354	393	467	540	6,176
State revenue net of MEGA cost	1,144	368	450	689	822	935	1,189	1,476	17,032
Adjusted for inflation (thousands of 1998 dollars):									
Personal income	14,300	4,491	7,302	11,885	13,659	14,328	15,717	17,336	236,775
Gross state revenue	1,144	359	584	951	1,093	1,147	1,257	1,387	18,942
MEGA cost	0	0	157	280	329	340	355	372	4,980
State revenue net of MEGA cost	1,144	359	427	671	764	807	902	1,015	13,962