



MEMORANDUM

DATE: November 19, 2002
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President Michigan Business Development
SUBJECT: Briefing Memo - Champion Foods, LLC Standard Credit

COMPANY NAME AND ADDRESS:

Champion Foods, LLC
2211 Woodward Avenue
Detroit, Michigan 48201

HISTORY OF COMPANY:

Champion Foods, LLC is a new Michigan company owned jointly by Michael and Marian Ilitch, founders of the Little Caesar's pizza chain and other related entities. Champion Foods has been established to commercialize the partially baked (par-baked) pizza products developed by Little Caesar's Enterprises, Ilitch Holdings and Little Caesar's Pizza Kit Company.


PROJECT DESCRIPTION:

Due to the high level of demand for par-baked pizza crusts, the company has decided to create a large manufacturing facility. The business will produce par-baked pizzas and other related food products. The Little Caesar's manufacturing operations currently employ 157 people.

The project requires an investment of \$42.4 million over a five-year period, including \$16.8 million in land and buildings and \$25.6 million in machinery and equipment. The facility is expected to create up to 199 new jobs within six years of start-up. Average weekly wage at the facility would total \$459 with a benefit package of an additional 20 percent.

300 N. WASHINGTON SQ.
LANSING, MI 48913
CUSTOMER ASSISTANCE
517.373.9808
WWW.MICHIGAN.ORG

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Briefing Memo
Champion Foods, LLC
November 19, 2002
Page 2

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate this facility will generate a total of 411 jobs in the state by the year 2023. Total state government revenues through the year 2023, net of MEGA costs and adjusted for inflation, would be increased by \$20.8 million (2002 dollars) due to the presence of this facility.

BUT FOR:

The company found two existing facilities that are suitable for the project, one in Huron Township, Michigan and one in Columbus, Ohio. The Columbus facility is exactly the size required, while the Michigan facility needs to be built out extensively in order to accommodate the growth expected. Electrical costs in Michigan are also considerably higher. These two items create a cost gap of roughly \$750,000 per year over a 20-year period. In addition, the company will qualify for an Ohio Jobs Tax Credit worth \$2.1 million and an Ohio Machinery and Equipment Tax Credit of \$1.9 million, bringing the total gap to approximately \$19 million over a 20-year period. A MEGA will help to bridge this gap and make Michigan a profitable location for this new entity.

OTHER STATE AND LOCAL ASSISTANCE:

The Michigan Economic Development Corporation will provide an Economic Development Job Training grant of \$300 for each of up to 199 new employees, for a total of \$59,700.

The State of Michigan will also provide a 100 percent abatement of the 6 mills State Education Tax to match the length of the local property tax abatement. This abatement is estimated to be worth up to \$773,486.

Huron Township has approved an abatement of 50 percent of all new real and personal property taxes to be generated by the project for 12 years. The estimated value of this abatement is \$3 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 100 percent for 20 years and a business activity credit of 100 percent for 20 years for up to 199 net new jobs.