



CASE STUDY

United Natural Foods, Inc.



GROWING ORGANIC FOODS WHOLESALER BUILDS DISTRIBUTION CENTERS IN WISCONSIN

United Natural Foods Inc. (UNFI), which formed in 1996 out of the merger of several regional natural foods distributors, has enjoyed tremendous growth in recent years. As the leading North American distributor of natural, organic and specialty foods, it supplies more than 27,000 retail food centers. In 2012, the public company reported net sales of \$5.24 billion, an increase of 15.6 percent over the previous year.

BUSINESS NEEDS

UNFI is seeing increased demand particularly in the Midwest. In looking to expand its distribution network, UNFI leaders began searching for a site for a new 425,000-square-foot distribution center and truck maintenance facility. In the summer of 2012, they contracted with site consultant Mike Mullis of J.M. Mullis Inc., Memphis to lead the search and selection process.

Mullis used a comprehensive set of criteria to identify and evaluate numerous sites within a 200-mile geographic radius around Chicago.



The company also wanted a community partner that was a leader in sustainability, which is a core UNFI principle. The company uses LEED® gold-certified building standards for all new facilities, and the new planned distribution center would incorporate energy-saving technologies like CO₂ refrigeration, high-efficiency lighting and water conservation measures.

It's no wonder, says Senior Vice President Sean Griffin, given consumers' heightened awareness about the food they eat.

"Our mission is to deliver healthy food to consumers across North America," Griffin said. "We're incredibly fortunate to be in this thriving industry, and we're continually investing in our operations to sustain a growth rate of 15 percent a year."

In addition, Griffin said his team sought to get a feel for the community during site visits.

"We want to locate where residents are comfortable having a large distribution center as a neighbor, because, ultimately, joining a community is a symbiotic relationship," Griffin said. "When we're deciding where to invest \$40 to \$50 million of the company's capital, it's not only about economics. We want to be confident that our project will get the appropriate level of attention, the planning and permit process will go smoothly, and that there's harmony in the community. It's simple, but it doesn't always happen."

In 2013, shortly after conducting the search and selection process for the distribution center in the geographic area around Chicago, UNFI announced it would need to build yet another distribution center in the Midwest to keep up with demand. This time, the company was looking to build a 300,000-square-foot facility within the Twin Cities metropolitan area.

Again, UNFI worked with Mullis throughout the selection process for their newest distribution center. In finding a Twin Cities location, the company's overall goals were similar. They were looking for a location that presented a business friendly environment and focused on sustainability, as well as a state and city that could respond quickly to their needs.

SOLUTION

After several months of evaluation, site visits and meetings with local economic development officials, UNFI chose to build both distribution centers in Wisconsin. In December 2012 the company selected a 75-acre parcel in Sturtevant, in southern Racine County, for its 425,000-square-foot facility. And in February 2014, it announced plans to build a 300,000-square-foot facility in Prescott, about 30 miles southeast of the Twin Cities.

The Sturtevant site met all requirements, including a development-ready site with interstate highway access and strong workforce availability. In addition, numerous groups worked together to offer UNFI an attractive incentive package, which included: a \$3.5 million refundable tax credit award from the Wisconsin Economic Development Corporation (WEDC) to create 261 jobs, \$6 million in tax increment financing from the Village of Sturtevant, a \$500,000 grant from Racine County, a \$50,000 training grant from the Racine County Workforce Development Board, and up to \$400,000 in green energy incentives from WE Energies.



UNFI plans to open the building in spring 2014, with the potential for a future expansion up to 650,000 square feet. The company expects to hire 250-plus employees at wages of about \$15 per hour initially, with a potential of 400-plus workers as growth in the market occurs.

The Prescott site also was an ideal location for UNFI. The distribution center will be built in the Eagle Ridge Business Park, which is one of 13 Certified In Wisconsin development-ready sites. The site being certified as development-ready was one of the factors in UNFI's decision to locate in Prescott. Other factors included the site's proximity to the Twin Cities and a nearby four-lane highway; the willingness of the state and city to work together on incentives; and the low cost of doing business in Wisconsin. State and city incentives include: up to \$3.5 million in state tax credits from the WEDC over a four-year period, and a \$6 million package from the City of Prescott that comprises the land for the project, site preparation and infrastructure improvements. The Prescott distribution center is expected to create up to 314 new jobs over three years.

According to Patrick Drinan of WEDC, these are attractive projects for Wisconsin because of the company's market niche, its commitment to sustainability and the number of planned jobs.

"These projects represent a significant investment in bringing quality jobs into Wisconsin, which aligns with our job creation platform," Drinan said. "They are also a good example of how state and local economic development partners can work together to efficiently respond to business needs."

Jenny Trick of the Racine County Economic Development Corporation attributed that coordination to all partners understanding the business recruitment process and the roles they play. She said Sturtevant's village president engaged all stakeholders early on and compiled a team of engineers, village officials, a financial advisor, and legal counsel to meet as needed with the site consultant and company leaders.

"This sent a compelling message that the village was prepared to address any site selection issues on a timely basis and ultimately resulted in an aggressive incentive package," Trick said.

“The State of Wisconsin, through WEDC and the local economic development network, is ready to do business.”

—Mike Mullis, J.M. Mullis Inc., Site Consultant

SUCCESS

UNFI's Griffin identified a consistent message of commitment as a key factor in choosing the Sturtevant and Prescott sites. His conversations with state leaders reinforced his impression of Wisconsin's support of business growth, and his interactions at the local levels sealed both deals.

"I enjoy working with people who are passionate about what they do," Griffin said. "In meetings with local leaders, I felt a commitment in their words that was real. And community officials backed that up by helping us access additional resources like the tax credits and energy incentives, which made everything fall into place."

He said he looks forward to having fully staffed distribution centers where employees are as committed and passionate about the company as employees at all UNFI locations.

Griffin added that while discussions are still in progress, UNFI may consider converting some of its 75 acres at the Sturtevant site into organic gardens for community groups to get residents interested in organic farming.

"We want to be an engaged, involved partner in this community. I want people to say, 'What a great decision

for the community to invest in UNFI,' and that we're a good community citizen," Griffin said. "We want to be an employer of choice."

Griffin is confident that will happen, because the stages of both projects have been painless and invigorating. "I would recommend anyone looking at locating a new facility in the Midwest to consider Wisconsin, particularly the communities we selected."

Site consultant Mullis, who has represented numerous large Wisconsin corporations during expansion projects, also said the processes for both facilities went smoothly, citing the ability of state and local economic development officials to listen and work together to respond to the needs of UNFI.

He said the state's business climate assets include a qualified dependable workforce, a streamlined permit process and strong fiscal responsibility.

Mullis added: "The State of Wisconsin, through WEDC and the local economic development network, is ready to do business."

The Wisconsin Economic Development Corporation, the state's lead economic development agency, partners with a network of more than 600 regional and local entities to help businesses start, grow and locate in Wisconsin.



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