



MEMORANDUM

DATE: February 8, 2000

TO: Michigan Economic Growth Authority

FROM: Kathy Blake, Senior Vice President Business Development *KB*

SUBJECT: Briefing Memo – American Communications Network, Inc.

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COMPANY NAME AND ADDRESS:

American Communications Network, Inc.
32991 Hamilton Court
Farmington Hills, Michigan 48334

HISTORY OF COMPANY:

American Communications Network, Inc. (ACN), established in 1992, is a reseller of telecommunication services including long distance telephone, paging, cellular and internet services as well as the resale of gas and electric utility services. The company currently has 232 employees, as well as affiliate offices in Canada, the Netherlands, the United Kingdom, Germany, Denmark and Sweden.

DESCRIPTION OF PROJECT:

ACN is positioning itself to be a major player in the U.S. long distance telephone service market. To accomplish that goal, the company must invest in a new inbound call center in North America to provide a high level of customer service to new long distance accounts being activated as of April 1, 2000.

The company plans to lease 43,000 square feet for this call center at an estimated cost of \$400,000 per year, as well as leasehold improvements of approximately \$1.5 million. In addition, approximately \$11.3 million in equipment will be installed into the facility, for a total capital investment of approximately \$16 million. ACN would hire 103 employees in the first year, and by the sixth year have a total of 750 employees. Average weekly wage of these new hires will be \$474, as well as a benefit package equal to approximately ten percent of wages.

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The company is considering locating this facility in an existing building in the K.I. Sawyer Renaissance Zone, or in a facility in Fort Myers, Florida. Both of these facilities meet the requirements of the project and can be moved into immediately to begin operations on the time schedule required by the company.

BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 943 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 \$22,013,000 (2000 dollars) due to the presence of the American Communications Network, Inc. facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between the K.I. Sawyer Renaissance Zone in Michigan and Fort Myers, Florida. Based on figures obtained from the company, the cost disadvantage for ACN to site this operation in Marquette county, Michigan rather than Fort Myers, Florida ranges from \$200,000 to \$1 million annually over the term of the incentive. The most significant factor in this differential is wages, which are approximately six percent lower in Florida than in Michigan.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide American Communications Network, Inc., with the savings in taxes generated by being located in a designated Renaissance Zone. The total savings in state property taxes for the company over the 15-year life of this Renaissance Zone is \$161,593. The company will also be saving approximately \$3,118,971 in state Single Business Tax. In addition, the state will offer job training assistance of \$400,000 for up to 750 net new jobs.

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The community will be providing the company with the property tax relief associated with Renaissance Zone legislation. The value of this property tax savings over the 15-year life of the Zone is estimated at \$929,674. In addition, the community has agreed to invest \$1,037,000 towards leasehold improvements to the building, amortize tenant improvements of \$200,000 at one percentage point below prime rate over a five-year period, will authorize an additional \$130,000 to fund heating, ventilation and air conditioning related costs.

BUT FOR:

Even with all the savings generated by the company choosing a Renaissance Zone as its preferred Michigan site, the six percent wage rate differential still tips the scales in favor of Fort Myers, Florida from a cost perspective. We will obviously not be able to completely fill this gap with a MEGA incentive, however, offering the company a MEGA package will send the message to the company that Michigan is trying to be aggressive in recruiting the company. Here we have a case of the local economic development agency really stepping up to the plate to land what would be their third largest employer. The company has expressed feeling very welcome in Marquette County. Also, since their headquarters is in Michigan, management of this call center operation would be conceivably easier in Michigan than in Florida. A call center operation is a good match for the K.I. Sawyer Renaissance Zone, and these jobs would be welcome additions to the local economy in Marquette County.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for up to 750 net new jobs for a period of five years, and 75 percent for a period of seven years.