



MEMORANDUM

Date: January 18, 2011
To: Michigan Economic Growth Authority
From: Greg West, Project Specialist, Packaging Team
Subject: Briefing Memo – Crain Communications, Inc.
High Technology MEGA Credit – High Wage

COMPANY NAME

Crain Communications, Inc.
1155 Graftiot Avenue
Detroit, Michigan 48207

HISTORY OF COMPANY

Founded in 1916, Crain Communications, Inc. is one of the largest privately owned business publishers in the United States. The company currently owns more than 30 business, trade and consumer publications, and related websites. Crain Communications has recently begun to diversify outside of print publishing, expanding into interactive websites that will provide digital delivery of on-demand news, proprietary research and data, and updates regarding industry events and conferences.

The company currently has 250 employees in Michigan.

PROJECT DESCRIPTION

For the project, Crain Communications plans a major expansion of its AutoWeek.com website, serviced at its current facility in the City of Detroit. The new design will deliver a unique experience, combining AutoWeek's editorial voice and user experiences through an intuitive user interface. The website expansion will greatly increase page views and overall usage. The project requires a large investment in leasehold improvements, additional IT equipment, furniture and software development costs.

The company plans to invest approximately \$3.6 million and create 50 jobs over the next five years, with 25 jobs projected in year one, as a result of this project. The average weekly wage for the newly created jobs is anticipated to be \$1,127. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

There are not any other Michigan businesses known in the same industry.

BENEFIT TO STATE

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will generate a total of 92 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$2,226,701 (current dollars) due to the presence of this facility.

BUSINESS CASE

Crain Communications is evaluating a site location in Michigan against a facility the company owns in Chicago, Illinois. Based on recent hiring activity in Chicago, the company sees the Chicago market as having greater depth than Detroit in terms of talent at top level positions and in website design and development, particularly talent with experience in media and website operations. Crain Communications anticipates having to pay a premium in Detroit over prevailing wages in Chicago for certain experienced developers and designers due to this smaller supply of talent in Detroit. Crain further anticipates having to offer more relocation packages and make greater use of fee-based outside recruiting agencies to attract some necessary key employees to Detroit.

OTHER STATE AND LOCAL ASSISTANCE

The Detroit Economic Growth Corporation has paid the \$5,000 MEGA application fee in support of this project.

QUALIFYING HIGH-TECHNOLOGY ACTIVITY

The company is a qualified high wage business as the company's existing employees are paid more than 300% of the federal minimum wage and wages of the new employees will exceed 300% of the state minimum wage. The company is not qualifying with the 10 percent research and development requirement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 75 percent high-technology employment tax credit for five years for up to 50 net new employees in excess of the company's established base of 252.