



MEMORANDUM

DATE: June 12, 2002

TO: Michigan Economic Growth Authority

FROM: Harry Whelan, Vice President
Global Business Development

SUBJECT: Briefing Memo – Thomson Professional & Regulatory, Inc.

COMPANY NAME AND ADDRESS:

Thomson Professional & Regulatory, Inc.
c/o Creative Solutions
2395 Midway Road, Building 1
Dexter, Michigan 48130-1557

HISTORY OF COMPANY:

Thomson Professional & Regulatory, Inc. is applying on behalf of its division, Creative Solutions. Thomson Professional & Regulatory is the largest business unit of the Thomson Corporation, a global e-information and solutions company serving the business and professional marketplace. Creative Solutions provides software to practicing accountants, including write-up, payroll, client accounting, depreciation, trial balance/audit, tax, tax planning and practice management software, as well as web building and client portal services. All 629 Michigan employees of Thomson Professional are located at Creative Solutions in Dexter.

PROJECT DESCRIPTION:

Thomson Professional needs to expand its Creative Solutions operations to meet customer demand. The company proposes to increase employment at its current facility in Scio Township and invest \$3.6 million in new machinery and equipment. While initial expansion can take place at the current facility, future plans may drive expansion into a new building in the Township that could require a capitalized building lease of up to \$12 million over an eight-year period and leasehold improvements could total \$542,000.

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The company anticipates hiring up to 174 new employees within the first five years at an average weekly wage of \$722 and with a benefit package estimated at 15 percent of wages. Construction at the new facility would commence in June 2002 and be complete by January 31, 2004. Lease of the new facility would begin on March 1, 2004 and operations would begin immediately. It is estimated that in Year 5, an additional expansion of the facility will occur, along with the creation of an additional 126 jobs, bringing total estimated new job creation to 300.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 482 jobs in the state by the year 2011. Total state government revenues through the year 2011, net of MEGA costs and adjusted for inflation, would be increased by \$11.8 million (2002 dollars) due to the presence of this facility.

BUT FOR:

Thomson has an affiliated company that is engaged in a similar line of business in Carrollton, Texas. The Carrollton facility has sufficient excess capacity to allow Thomson to locate its Creative Solutions operations there. Additionally, the current business practices of Creative Solutions does not dictate a need for the expansion to be at or near the company's current Michigan site, because all sales calls, customer ordering and customer support is conducted by telephone communications so that seamless service would be provided to customers regardless of the physical location of the staff.

An analysis of costs being borne by the company in Michigan versus Texas indicates that wage rates are roughly six percent lower in Texas. Additionally, expansion in Texas would not require the company to build a new facility. These increased costs of doing business in Michigan necessitate a MEGA tax credit in order to get corporate decision-makers to agree to put the expansion in Michigan.



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OTHER STATE AND LOCAL ASSISTANCE:

Due to the type and level of investments being proposed, the company may be eligible for an Investment Tax Credit of up to \$107,854. The State of Michigan would provide a State Education Tax abatement of six mills to match the length of time of the local property tax abatement. The value of this abatement is estimated at \$319,186.

Scio Township, on May 21, 2002 voted favorably on a 50 percent abatement of the company's new real and personal property, both for a period of seven years. The estimated value of both of these local abatements is \$1,158,984.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment tax credit of 100 percent for 12 years for up to 300 net new employees.