MICHIGAN
ECONOMIC DEVELOPMENT CORPORATION

201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
517 335 5884
517 335 2521

CUSTOMER ASSISTANCE
517 373 9808

www.michigan.org

MEMORANDUM

DATE: April 25, 2001

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – IPC Communication Services, Inc.

COMPANY NAME AND ADDRESS:

IPC Communication Services, Inc.
501 Colonial Drive
St. Joseph, Michigan 49085

HISTORY OF COMPANY:

IPC Communication Services, Inc. (IPC) is involved in the manufacture, assembly, supply chain management, fulfillment and distribution of media (print, CD and DVD) for the OEM, software and publishing markets in the U.S. and Europe. IPC's principal products are software and hardware documentation kits and magazines and its principal services are fulfillment, e-business and project management. Journal Communications, Inc. (JCI) acquired IPC in 1992. JCI is the oldest employee-owned company in the U.S. It is a media conglomerate with other subsidiaries in the newspaper, data communications, broadcasting and direct media markets.

PROJECT DESCRIPTION:

This project would be an expansion of one of IPC's existing facilities through the transfer of an operation currently located in Foothill Ranch, California. The California facility will be downsized and partly folded into operations in either St. Joseph Township, Michigan or Lebanon, Tennessee. IPC would lease additional space in its current facility on Hawthorne Drive in St. Joseph Township. Capitalized lease costs would be $576,000 and leasehold improvements to the building would total $200,000. In addition, the company would spend $1.5 million in machinery and equipment, bringing the company's total capital investment in the project to $2,276,000. Up to 106 jobs would be created at the facility within three years at an average weekly wage of $703 and a benefit package equaling approximately 25 percent of wages.

BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. (REMI) software, we estimate this facility will generate a total of 159 jobs in the state by the year 2010. Total state government revenues through the year 2010, net of MEGA costs and adjustment for inflation, would be increased by $6 million (2001 dollars) due to the presence of this facility.

BUT FOR:

As part of the company's decision-making process, it conducted a comprehensive analysis between St. Joseph Township, Michigan and Lebanon, Tennessee. Based on information provided by the company, it has been estimated that there will be a $3.2 million cost differential between the two localities over the first ten years of the project. Most of this cost differential consists of lower wage rates in Tennessee.

While the cost differential will not be entirely eliminated with the MEGA credit being proposed, the company has stated other reasons for wanting to put the project in Michigan. The company has enjoyed a good relationship with its current workforce of over 500 in St. Joseph. Also, the St. Joseph facility is more closely aligned with the California operation in terms of its product line, allowing better synergies and the leveraging of existing resources at the St. Joseph facility.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of $500 for each of the 106 new employees, totaling $53,000. In addition, the state will provide a 100% abatement of the 6-mill State Education Tax for a length of time to match the local property tax abatement. The estimated value of this state tax abatement is $8,562.

St. Joseph Township will provide a 50 percent abatement of the company's personal property taxes for twelve years. The estimated value of this local abatement is $100,676.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for two years, 75 percent for three years, 50 percent for three years and 25 percent for two years for up to 106 net new jobs.