



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: July 15, 2008

TO: Michigan Economic Growth Authority

FROM: Val Hoag, Director *VH*
Portfolio Management & Packaging

Greg West, Project Specialist
Business Development and Attraction

SUBJECT: Briefing Memo – International Bancard Corporation
Standard Credit

COMPANY NAME:

International Bancard Corporation
909 North Main Street
Royal Oak, Michigan 48067

HISTORY OF COMPANY:

International Bancard Corporation (IBC) is a Financial Transaction Service Provider that began operations in 2001 with 2 employees. IBC, located in Royal Oak, Michigan, has grown to include offices in both Michigan and Florida, with clients in 29 states and the ability to do business in all 50 states.

IBC provides Visa, MasterCard, American Express and Discover processing capabilities to retail, wholesale, and manufacturing companies in the public and private sectors, using a combination of credit card processing programs, flexible e-commerce solutions and interactive sales to assist clients.

IBC's customer base includes, but is not limited to, manufacturing, retail vendors and suppliers, medical offices, real estate companies, property management firms and financial institutions. The company performs most of its business over the telephone, accessing existing customers and potential new clients via long distance capabilities.

IBC currently has 24 employees in Michigan.

PROJECT DESCRIPTION:

IBC has outgrown its existing facility and needs to relocate to a larger facility. The proposed project includes the purchase of an existing 10,000 square foot building located in the City of Clawson, Michigan. This project will require a complete renovation and remodeling of the building to fit the companies needs. Total investment over 5 years is expected to exceed \$2.1 million. This project will create up to 150 new jobs with an average weekly wage of \$575. The company will also offer health care benefits and pay a portion of the benefit costs.

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BENEFITS 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 create a total of 325 jobs in the state by the year 2016. We also estimate that the project would create total state government revenues through the year 2016, net of MEGA cost and adjusted for inflation, of \$4.6 million (2008 dollars) due to the creation of these new jobs.

BUSINESS CASE:

Alternatively, the company has considered various locations in the Southern region of the United States, including Florida. One of the most significant disadvantages is the challenge presented by the limited pool of adequately trained candidates. As the industry is focused outside of Michigan, IBC has regularly sought candidates, especially for management positions, outside of the State in order to grow. The out-of-state employment issues are highlighted by a wage advantage in some states, including Florida, where IBC has opened a communications office.

Another critical competitive disadvantage faced by IBC is the estimated tax impact, in direct comparison to tax structures in other states. This is particularly relevant when considering Florida as an alternative location in light of the existing IBC operations in the State as well as the number of industry competitors located there.

STATE AND OTHER LOCAL ASSISTANCE:

The City of Clawson is prepared to waive all building and planning fees related to this project. In addition, the City of Clawson will make landscape improvements according to preliminary plans provided by IBC. It is estimated the combined value of the fee waiver and landscaping will be between \$15,000 and \$25,000.

The MEDC has also approved training funds for the project. Through our Economic Development Job Training program, the MEDC will provide an employee training grant of \$1,000 per job for up to 50 new jobs created at the new facility. This training grant could be worth up to \$50,000.

RECOMMENDATION:

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for seven years, for up to 150 net new employees, subject to the following:

- The company must create a minimum of 125 jobs, over the employment base of 24, by the end of the fifth year of operations. Failure to create the 125 jobs by the end of year five will void the remaining two years of the tax credit.