



Michigan City Bright Spot In Indiana Economy

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No Rust Here: Building Indiana's Business Belt

Gov. Daniels follows through on his plan to improve the state's tax climate, work force and infrastructure.

by **RON STARNER**
ron.starner@conway.com

In his 2008 State of the State Address, Indiana Gov. Mitch Daniels said, "Government does not create jobs; it only creates the conditions that make jobs more or less likely."

If that is the case, then Indiana's government has been racking up endorsements of its revamped business climate from many sources.

CNBC named the Hoosier State the Most Improved State for Business in 2008 and said it ranked third in the U.S. for business friendliness. *Forbes* magazine said the state's business tax climate scored best in the Midwest and sixth best in the nation; and *Site Selection*, in its November 2008 cover story, rated the Indiana business climate No. 5 in the U.S.



Indiana Gov. Mitch Daniels spoke at the grand opening of the new Honda factory in Greensburg. The company recently announced that it will build its natural-gas-powered car at this assembly plant.

and the most dramatic upward mover among the top states.

How did this happen? After all, the

mainstream business press for years has been reporting that the "Rust Belt" of America is in a state of economic decline. According to Daniels, the demise of Indiana has been greatly exaggerated.

"When I took office a few years ago, our tax structure was not terrible, but we have improved it significantly," Daniels tells *Site Selection*. "We cut property taxes on businesses and individuals dramatically last year. We no longer penalize businesses that have capital and head count in the state. We don't tax patent income for the first few years. We have



The new main terminal at the Indianapolis International Airport officially opened on Nov. 11 after three years of construction. The \$1.1-billion facility will have a capacity of 12 million passengers a year.



Raytheon in Fort Wayne recently landed a \$75-million Air Force contract to modify data link equipment for F-15 fighter aircraft.

the largest R&D tax credit around, and all of this is designed to spur the growth of a more diverse economy.”

According to recent numbers, the governor’s plan appears to be working. Driven by exports of auto parts, industrial machinery, electronics and pharmaceuticals, Indiana’s overall export volume reached a record US\$26 billion in 2007, up 14 percent from 2006.

In October, IBM-PLI named Indiana the top state for per-capita job attraction from international investment. *Chief Executive* named Indiana a “best place for investment” in 2008.

From January through October of 2008, some 137 businesses committed to create 17,297 jobs and invest more than \$4.1 billion into Indiana operations — totals that nearly matched results from the same period in 2007.

Standard & Poor’s took notice. Citing Indiana’s strengthening economy, sound management and balanced budget, S&P raised the state’s credit rating to AAA, marking the first time in history that Indiana had earned the agency’s highest rating.

The success did not come by accident, the governor contends. Nor did it occur overnight.

“Improving our business climate has been a constant theme of ours for the past five years,” he says. “When I talk about building the best sandbox, we try to take an all-in approach that makes a place more attractive. Companies tend to go where there is a more affordable cost structure.”

Daniels focused on reducing business

taxes, making energy costs more affordable, streamlining the “transaction costs imposed by government” and “making sure the litigation system is not subject to abuse.”

Daniels supported bold but controversial moves like privatizing the state toll road to free up \$4 billion that could be reinvested into the state’s transportation infrastructure over the next 10 years. He pushed the state’s conversion to Daylight Savings Time and privatized other functions of government. He abolished the Department of Commerce and replaced it with the Indiana Economic Development Corp.

The referendum on Daniels’ overhaul came Nov. 4, when the governor won reelection in a 58 percent landslide.

It was not the only good news he would receive that month. *Governing Magazine* named him one of the eight public officials of the year, and the only governor to claim the honor.

Commenting on Daniels, *Governing* noted his challenge in taking over a state awash in red ink and “budgetary gimmicks.” Today, the magazine noted, “the story is dramatically different, thanks in large part to the governor’s leadership.”

Why They Chose Indiana

Do business leaders agree with that assessment? *Site Selection* asked executives who have recently expanded facility operations in Indiana.

Jerry Jackson, president of **Apex Precision Technologies**, says that support from both state and local government made his firm’s recent expansion in Hen-

dricks County possible.

A major supplier to Toyota Forklift, Apex is investing \$1.5 million in a facility and another \$12 million in equipment in the city of Camby, about 20 minutes from the Indianapolis International Airport.

The project will double the size of Apex’s manufacturing space to 65,000 sq. ft. (6,038 sq. m.) and add another 32 employees to the current work force of 70 over two years.

“We have a great governor,” says Jackson. “He has done a lot of innovative things and has been active in promoting the economy. The transmission plants have been great for our area. Toyota, Honda and Subaru have all helped our area grow.”

When asked why his firm selected Camby, Jackson noted the “proximity to Interstates and the airport, plus great support from economic development.”

He is also high on the area’s labor pool. “It is a neat work force here,” he says. “They are well educated, but they still have the rural work ethic. Several employees are taking college classes. There are a lot of higher-ed opportunities here. IUPUI [Indiana University-Purdue University Indianapolis] is very close.”

Dan Pace, a local entrepreneur, developer and racing industry leader in Hendricks County, recently purchased 25 acres (10 hectares) and built space for use by motorsports teams in the area.

It didn’t take long before **Alan Johnson Racing** became his first tenant. “Access to Interstate 74 really was the key, and he liked being in a brand new building,” Pace says of Alan Johnson.



After Dan Pace built this space in Hendricks County intended for motorports companies, it didn't take long before Alan Johnson Racing became the first tenant.

"They are very proactive in Hendricks County. I have been doing development for over 30 years," adds Pace. "They are always looking to get things done. They are always open to talk. As long as the business climate stays this way, you will see this area continue to grow."

Bruce Menshy, director of operations for the Fort Wayne site of defense contractor **Raytheon**, says his plant added 200 positions over two years and is on pace to grow more in 2009.

"We have hired over 100 employees in just the past year alone, primarily system software engineers for various programs for the U.S. military. Our total work force in Fort Wayne is about 1,200 employees, and they are predominantly in engineering," he says.

The firm recently landed a \$75-million Air Force contract to modify data link equipment for F-15 fighter aircraft.

"We recruit primarily from the Midwest and nationally," notes Menshy. "We hire entry-level engineers from many of the area colleges and universities — schools like Rose-Hulman Institute of Technology in Terre Haute, Purdue and Notre Dame."

Menshy says the area's best location assets are the "expertise and talent related to tactical communication systems and command-and-control systems. Plus, we are in a metro area of 300,000 people and there are several major defense contractors here — General Dynamics, BAE, Northrop Grumman and others."

Especially helpful to Raytheon, he adds, is a partnership with IUPUI in Fort

Wayne "to enhance and grow their systems engineering program. We see that as a need in the future."

Michigan City's Bumper Crop

Perhaps no part of Indiana is reaping a better harvest of plant expansions than Michigan City, which recently landed three large projects.

Palatek, a manufacturer of rotary screw air compressors, built a 160,000-sq.-ft. (14,864-sq.-m.) facility on 34 acres (14 hectares), creating 52 jobs.

The project was made possible by \$10 million of industrial revenue bonds issued by Michigan City government, plus tax credits and grants from the Indiana Economic Development Corp. In addition, the La Porte County Council approved tax abatement and loan offers to the company.

"Our business is growing and we need more space, but we ran out of land, so this project enables Palatek to realize its production potential," said Steve VanLoan, president of Palatek.

Also in Michigan City, **Trainor Glass** announced that it will expand its national drafting center and create up to 50 jobs by 2010. The designer, maker and installer of custom glass doors, walls and storefronts is investing \$1.9 million into the 20,000-sq.-ft. (1,858-sq.-m.) facility in northwest Indiana.

"We are proud that Trainor selected Indiana for its new consolidated drafting center," said Gov. Daniels. "We have worked hard to create a competitive environment that encourages businesses like Trainor to grow in Indiana."

Vanair Manufacturing Inc., meanwhile, recently opened a 60,000-sq.-ft. (5,574-sq.-m.) manufacturing plant in

Michigan City. The 60 factory jobs pay an average wage of \$21 an hour.

The company relocated this operation from Michigan and, in the process, doubled the size of its manufacturing plant by constructing a \$2.6-million facility.

"We're very excited about the move to Michigan City, and this new direction and location will give Vanair the opportunity to grow and expand our business," said Greg Kokot, president of Vanair, a maker of vehicle-mounted air compressors.

"Creating an environment that encourages growth is essential to Indiana's economic success," said Nathan Feltman, CEO of the IEDC. "Vanair's commitment to Indiana is yet another indication that Indiana is becoming one of the locations of choice for businesses around the world."

Still Work to Do

Despite the successes, the governor says the job of remaking Indiana's business climate is far from finished.

"We still have far too low a percentage of adults with a college degree," says Daniels, who's pushing a plan to subsidize two years of community college tuition for every student from a family that earns \$60,000 a year or less.

The current economic crunch, along with the resulting decline in state lottery proceeds, makes the program unaffordable this year, but the governor vows to fund it once state revenues return to normal levels.

He also promises to further streamline state government and reduce regulatory red tape. "This work is never done," he adds. "We must raise the bar higher. The competition does not stand still, and we can't either."

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