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EDITOR'S PICK URGENT

NWI luring Illinois companies, but why so few?

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Northwest Indiana has had some success luring companies from Illinois, but it's hardly a stampede and nothing like one would expect given the government dysfunction and fiscal problems in the Land of Lincoln.

The state of Illinois has no budget, a projected deficit of \$7.8 billion, an \$111 billion unfunded pension liability, and a mounting pile of unpaid bills. Social services are getting slashed. Professors are being laid off. Downstate mass transit is shutting down.

Right next door to Northwest Indiana, Chicago just approved \$755 million in new taxes. The Land of Lincoln already has the fifth highest property tax burden in the country, and the 13th highest unemployment taxes.

Hoist Liftruck, which earlier this year relocated manufacturing operations to East Chicago from Bedford Park, saves an estimated \$3 million a year from workman's compensation insurance alone, President Vincent Flaska said.

"Indiana is an overall better state to manufacture in, and just a few of the advantages are taxes, workers comp reform, and a better labor pool," he said.

"With Cook County just raising minimum wages to \$13 by 2020, I can assure you a large amount of businesses will either leave the state or go out of business by then," he added.

But in 2016, only a few businesses followed Hoist Liftruck's lead and skipped across the state line to Northwest Indiana.

Outstanding Tradeshow Exhibit Services, which designs and makes tradeshow exhibits, announced it would move to North Judson from Romeoville. American Stair Corp. is jilting Romeoville for Hammond, where it plans eventually to employ 180 workers. AMKUS Rescue Systems moved production of rescue tools to Valparaiso from Downers Grove after being bought by Valpo-based Task Force Tips.

But that's almost it. In some years, far fewer jobs have moved across the border, and the expected flood has been more like a trickle.

The Chicago Metropolitan Agency for Planning did a recent report on business churn in the Chicago area that found out-of-state business relocations are relatively rare and typically involve smaller companies. More than 70 percent of the businesses that moved in or out of Chicago metro had fewer than five employees; most just had one.

The CMAP report found that, between 2001 and 2012, Indiana gained a net total of 69 businesses from the Chicago metro area — about six per year. And some of those moved to Indianapolis or other areas of the state and not Northwest Indiana.

More companies moved to downstate Illinois, which netted 89 Chicago metro companies, and Florida, which picked up 104 during that period. Despite the Indiana Economic Development Corp.'s expensive "Illinoyed" ad campaign, Indiana barely beat out Texas in poaching Illinois companies during that period.

And despite all the political talk, companies are still investing heavily in Illinois. Amazon has built distribution centers employing 1,000 or more in Joliet, Edwardsville and Romeoville and not in Northwest Indiana. It just announced it will build another in Monee.

A few years ago, Amazon was thought to be interested in a site near Lowell and Interstate 65 for such a distribution center, but nothing came of it.

Despite Indiana's much-vaunted business climate, less than 1 percent of the new industrial construction in the Chicago metro area took place in Northwest Indiana earlier this year. Indiana even lost the Whole Foods Distribution Center to Chicago's Pullman neighborhood, where the trendy grocery purveyor will move 150 jobs to serve new Whole Foods supermarkets on the city's South Side.

In all, more than 17.3 million square feet of industrial space was under construction in the Chicago metro area in the second quarter of 2016, and almost all of it was in Illinois, according to an NAI Hiffman market report.

Ridgeline Property Group started construction this spring on a 157,500-square-foot speculative building in Buffalo Grove, while five different construction projects were underway along I-90 in the northwest suburbs.

Wisconsin also luring companies

In the second quarter, only 40,000 square feet of industrial space was under construction in the Northwest Indiana submarket, while Southeast Wisconsin, also part of the Chicago metro area, had 1.8 million square feet under construction, according to NAI Hiffman.

Northwest Indiana has about 441 industrial buildings with 36.6 million square feet of space, while Southeast Wisconsin has 547 with 51.8 million square feet. And developers are doing huge projects right now in the corner of the Badger state tucked up against Chicago's north suburbs. First Industrial for instance constructed a 601,491-square-foot facility in Somers.

Since 2012, the Wisconsin Economic Development Corp. has lured 15 Illinois companies to Wisconsin, where they have pledged to hire 3,458 workers and invest more than \$287 million. Packaging and shipping supply distributor ULINE, for instance, moved its corporate headquarters from Waukegan to Pleasant Prairie in Kenosha County, where it invested \$200 million and employs 2,000. Kenall Manufacturing, which makes LED lights, expects to hire 600 in the Business Park of Kenosha after leaving Gurnee.

A large portion of the companies, and the attached jobs, moving to Wisconsin from Illinois ended up in Southeast Wisconsin, an area very like Northwest Indiana in its close proximity to Chicago and its prime assets such as O'Hare International Airport.

"With respect to companies that consider relocating to or expanding into Wisconsin, our most recognized competitive advantages include Wisconsin's strong economic assets, powerful industry capabilities, talented workforce, centric geographic location and pro-business policies, such as our Manufacturing & Ag Tax Credit, which virtually eliminates tax on income from manufacturing activity in the state," WEDC spokesman Mark Maley said.

The WEDC doesn't run billboards or ads like Indiana's "Stillinnoyed" or "A State that Works." Instead, the agency cultivates relationships with site selection specialists and business executives, Maley said.

"The attraction team also proactively recruits targeted companies by identifying their unique needs, delivering solid data supporting the decision to locate in Wisconsin and developing a competitive incentive package," Maley said.

Wisconsin doesn't need to do ad campaigns because its benefits of lower taxes and workman's compensation costs are already well known by business decision-makers near the border, said Kenosha Area Business Alliance President Todd Battle. One analysis found companies can save 30 percent on taxes from being in Pleasant Prairie instead of Illinois.

"The vast majority of relocations are within a reasonable commuting distance," Battle said.

"The business may be changing the address and the state they do business in, but they retain their workforce. In the last three to five years, it's probably been a pretty steady stream."

Marketing along state borders

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The Indiana Economic Development Corp. has a marketing budget of \$7.41 million over two years that it's spent targeting businesses from out of state, including neighboring Illinois.

"I don't have specifics regarding what has been spent on Illinois-focused campaigns over the years, but I would say that a majority of our advertising dollars are allocated toward promoting our business climate outside Indiana and attracting new jobs for Hoosiers," IEDC spokeswoman Abby Gras said.

"This also includes our efforts in other high-tax states, including California, Connecticut, New Jersey and New York, as well as campaigns to target national and international job creators."

Indiana currently is running a marketing campaign along its borders with Illinois, Kentucky and Ohio that includes billboards and mobile ads.

"This is part of our ongoing 'A State That Works' campaign and includes positive messages about Indiana's pro-growth business climate such as our triple-A bond rating, declining corporate taxes and balanced state budget," she said.

Since 2007, 54 Illinois-based companies have moved all or part of their operations to Indiana. They've pledged \$650 million in investment and 5,323 jobs.

To put those numbers in context, the Chicago metro area alone has a gross metro product of \$630.3 billion and added 47,000 new jobs last year, according to U.S. Census Bureau data.

The workforce issue

Northwest Indiana hasn't lured more Illinois businesses partly because of its own reputation for political dysfunction and a lack of attention from the state government, Indiana University Northwest Assistant Professor for Economics Micah Pollak said.

"While Indiana's slogan may be 'A State that Works,' this doesn't necessarily mean that it always works well," he said.

"Northwest Indiana is a region that has historically struggled with dysfunction, in part because of the major economic challenges we've faced since the 1970s, and in part because our geographic location is distant from state government and wedged up against Chicago."

Indiana does have an attractive business climate, such as an "A" in tax climate, global reach and logistics and manufacturing industry health in the 2016 Conexus Indiana Manufacturing and Logistics Report Card. But low taxes aren't the only thing businesses look at when deciding where to invest, Pollak said.

Companies also need a ready supply of qualified workers.

"We can have the best tax climate in the United States, but it won't attract new businesses if we can't meet their demands for a trained, educated and healthy workforce," he said.

"While we are making gains in education, the percent of the population in Northwest Indiana with at least a college degree is about 15 percent lower than the state of Indiana overall and 30 percent lower than the U.S. average."