

**The Economic Effects on Michigan of the  
Affinia Group, Inc. New Headquarters Project**

Prepared by the Michigan Economic Development Corporation utilizing Regional  
Economic Models, Incorporated (REMI) software.

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## Abstract

*Affinia Group is considering locating a headquarters facility in Pittsfield Township, Michigan. This facility would provide administrative support for the decentralized operations of the Affinia Group. The new facility would employ up to 100 people by the end of 2008. We estimate that by 2015, this location will have generated a total of 145 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$3.7 million (2004 dollars) due to the location of the Affinia Group headquarters.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Affinia Group locating a headquarters facility in Pittsfield Township. Investment activity would take place in 2005 with an investment of \$4.3 million. The facility would employ an additional 100 people and would be at full production by 2008.

The estimates of the benefits attributable to the project include the total number of jobs created in Michigan (by major industry, including spin-off jobs), and the associated personal income and state government revenue. Benefits net of the MEGA incentive package, from 2005 to 2015, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2006 to 2009, and a tax credit to the company equal to 50 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2006 to 2015.

The total employment effects, reported in the first line of the table, include the direct jobs created at the facility itself plus spin-off jobs. The spin-off jobs are created from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. In 2008, the first year of full operations, an additional 100 jobs are generated in the state. The total number of jobs (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the expansion averages 1.23 over the period 2005 to 2015. Sectoral detail on the employment is also shown in the table.

Personal income is shown in the next section of the table. Personal income is defined as the income of Michigan residents from all sources, after deduction of contributions to social insurance programs but before deduction of income tax and other personal taxes. As shown in the table, if Affinia Group were to locate in Michigan under the incentive program, state personal income in 2008 would be higher by \$5.6 million (in current dollars) than it would be without the facility, and in 2015, it would be \$12.5 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$5.2 million in 2008 and \$10 million in 2015.

The gain in economic activity results in higher government revenues. We estimate that in 2006, the first year of full operations without investment activity, the facility would generate \$265,000 in additional gross state revenue, and that the MEGA package would provide a \$171,000 incentive to Affinia Group. Thus, the new Affinia Group facility would increase state revenues in 2006 by \$94,000, net of MEGA costs.

Over the period 2005 to 2015 state government revenue is projected to increase by \$6.3 million (in current dollars) due to the new Affinia Group facility. The MEGA incentive package for Affinia Group is forecast to cost \$2.0 million over the period, resulting in a net increase in state government revenue of \$4.3 million. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2015 would be \$3.7 million in 2004 dollars. These calculations do not include any revenue losses due to the property tax abatement or the investment tax credit. If the costs of the abatement and the tax credit were included, the net revenue gain to state government would be slightly less.

None of the estimates include the nonmeasurable effects that would produce additional economic and fiscal benefits for Michigan, such as the intangible advantages of influencing other location and expansion decisions.

**Affinia Group**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
<b>Total Employment</b>	12	82	95	113	116	117	137	138	141	142	145	
Manufacturing	1	3	3	3	3	3	4	4	4	3	4	
Non-Manufacturing	11	79	92	110	113	114	133	134	137	139	141	
Retail Trade	2	7	8	9	9	10	14	14	14	14	14	
Services	3	57	65	76	77	78	86	87	88	89	90	
Other	6	15	19	25	27	26	33	33	35	36	37	
<b>In Current Dollars (Thousands):</b>												
Personal Income	\$488	\$3,448	\$4,486	\$5,646	\$6,134	\$6,622	\$9,827	\$10,500	\$11,080	\$11,720	\$12,450	\$82,401
Gross State Revenue	38	265	345	435	472	510	757	809	853	902	959	6,345
Mega Cost	0	171	212	248	256	169	176	184	192	202	212	2,020
State Revenue Net of MEGA Cost*	\$38	\$94	\$133	\$187	\$216	\$341	\$581	\$625	\$661	\$700	\$747	\$4,325
<b>Adjusted for Inflation (Thousands of 2004 Dollars):</b>												
Personal Income	\$480	\$3,312	\$4,220	\$5,202	\$5,537	\$5,857	\$8,519	\$8,923	\$9,231	\$9,572	\$9,968	\$70,821
Gross State Revenue	37	255	325	401	426	451	656	687	711	737	768	5,454
Mega Cost	0	164	199	228	231	149	152	156	160	165	169	1,773
State Revenue Net of MEGA Cost*	\$37	\$91	\$126	\$173	\$195	\$302	\$504	\$531	\$551	\$572	\$599	\$3,681

\* These estimates do not include any state government revenue losses due to the Investment Tax Credit, the Renaissance Zone Credit or the property tax abatement.