

**The Economic Effects on Michigan of the  
Alphi Manufacturing, Inc. Plant Expansion**

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

August 17, 2004

### Abstract

*Alphi Manufacturing, Inc. is considering expanding their metal tubular fabrication facility in Jonesville, Michigan. This facility provides custom tube forming, bending and finishing for several Tier One automotive suppliers. The new facility would employ up to 80 people by the end of 2009. We estimate that by 2014, this location will have generated a total of 88 jobs in the state. Total state government revenues through 2014, net of MEGA costs and adjusted for inflation, would increase by \$2 million (2004 dollars) due to the location of the Alphi Manufacturing expansion.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Alphi Manufacturing, Inc. expanding their manufacturing plant in Jonesville. Investment activity would take place between 2004 and 2006 with an investment of \$6.2 million. The facility would employ an additional 80 people and would be at full production by 2009.

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 2004 to 2014, are shown in the attached table. The MEGA incentive package includes a tax credit to the company equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility for the period 2005 to 2014.

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 2009, the first year of full operations, an additional 90 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 1.1 over the period 2009 to 2014. 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 Alphi Manufacturing, Inc. were to locate in Michigan under the incentive program, state personal income in 2009 would be higher by \$3.2 million (in current dollars) than it would be without the facility, and in 2014, it would be \$4.4 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$3 million in 2009 and \$3.7 million in 2014.

The gain in economic activity results in higher government revenues. We estimate that in 2007, the first year of full operations without investment activity, the facility would

generate \$106,000 in additional gross state revenue, and that the MEGA package would provide a \$36,000 incentive to Alphi Manufacturing, Inc. Thus, the new Alphi Manufacturing, Inc. facility would increase state revenues in 2007 by \$70,000, net of MEGA costs.

Over the period 2004 to 2014 state government revenue is projected to increase by \$2.2 million (in current dollars) due to the new Alphi Manufacturing, Inc. facility. The MEGA incentive package for Alphi Manufacturing, Inc. is forecast to cost \$616,000 over the period, resulting in a net increase in state government revenue of \$1.6 million. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2014 would be \$1.5 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.

**Alpha Manufacturing, Inc.**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	2014	Total
Total Employment	6	43	41	42	48	90	88	88	
Manufacturing	1	16	24	29	33	59	59	59	
Non-Manufacturing	5	27	17	13	15	31	29	29	
Retail Trade	1	5	4	3	3	7	6	6	
Services	-2	9	7	6	7	14	13	13	
Other	2	13	6	4	5	10	10	10	
In Current Dollars (Thousands):									
Personal Income	\$275	\$1,526	\$1,404	\$1,373	\$1,740	\$3,204	\$3,387	\$4,364	\$29,022
Gross State Revenue	21	118	108	106	134	247	261	336	2,235
Mega Cost	0	16	28	36	41	74	77	92	616
State Revenue Net of MEGA Cost*	\$21	\$102	\$80	\$70	\$93	\$173	\$184	\$244	\$1,619
Adjusted for Inflation (Thousands of 2004 Dollars):									
Personal Income	\$275	\$1,502	\$1,359	\$1,308	\$1,630	\$2,953	\$3,070	\$3,698	\$26,091
Gross State Revenue	21	116	105	101	126	228	237	285	2,011
Mega Cost	0	16	27	34	39	68	70	78	553
State Revenue Net of MEGA Cost*	\$21	\$100	\$78	\$67	\$87	\$160	\$167	\$207	\$1,458

\* 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.