

**The Economic Effects on Michigan of the
American Mitsuba R&D/Headquarters Facility**

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

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Abstract

American Mitsuba Corporation is considering building a research and development/headquarters facility in Brighton, Michigan. This facility will design and test small motor products for automotive customers. The new facility would employ up to 85 people by the end of 2005. We estimate that by 2012, this location will have generated a total of 90 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$1.8 million (2003 dollars) due to the location of the American Mitsuba R&D/Headquarters facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of American Mitsuba Corporation locating a research and development/headquarters facility in Brighton. Investment activity would take place in 2003 with an investment of \$10.7 million. The facility would employ an additional 85 people and would be at full production by 2006.

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 2003 to 2012, 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 2003 to 2012.

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 2006, the first year of full operations, an additional 86 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 1.15 over the period 2003 to 2012. 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 American Mitsuba Corporation were to locate in Michigan under the incentive program, state personal income in 2006 would be higher by \$4.6 million (in current dollars) than it would be without the facility, and in 2012, it would be \$6.8 million higher. Adjusted for inflation, these numbers in 2003 dollars would be \$4.3 million in 2006 and \$5.6 million in 2012.

The gain in economic activity results in higher government revenues. We estimate that in 2004, the first year of full operations without investment activity, the facility would

generate \$160,000 in additional gross state revenue, and that the MEGA package would provide a \$99,000 incentive to American Mitsuba Corporation. Thus, the new American Mitsuba Corporation facility would increase state revenues in 2004 by \$61,000, net of MEGA costs.

Over the period 2003 to 2012 state government revenue is projected to increase by \$3.8 million (in current dollars) due to the new American Mitsuba Corporation facility. The MEGA incentive package for American Mitsuba Corporation is forecast to cost \$1.8 million over the period, resulting in a net increase in state government revenue of \$2 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2012 would be \$1.8 million in 2003 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.

American Mitsubishi Corporation
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Total Employment	96	42	72	86	85	86	89	89	90	90	
Manufacturing	4	0	1	1	1	1	1	1	1	1	
Non-Manufacturing	92	42	71	85	84	85	88	88	89	89	
Retail Trade	13	5	10	11	11	11	12	12	12	12	
Services	19	9	15	19	19	19	21	21	22	22	
Other	60	28	46	55	54	55	55	55	55	55	
In Current Dollars (Thousands):											
Personal Income	\$3,693	\$2,075	\$3,571	\$4,578	\$4,913	\$5,280	\$5,737	\$6,134	\$6,500	\$6,836	\$49,317
Gross State Revenue	284	160	275	353	378	407	442	472	501	526	3,798
Mega Cost	23	99	162	197	197	206	216	228	240	253	1,820
State Revenue Net of MEGA Cost*	\$261	\$61	\$113	\$156	\$181	\$201	\$226	\$244	\$261	\$273	\$1,978
Adjusted for Inflation (Thousands of 2003 Dollars):											
Personal Income	\$3,693	\$2,032	\$3,422	\$4,293	\$4,509	\$4,741	\$5,040	\$5,272	\$5,466	\$5,625	\$44,093
Gross State Revenue	284	157	264	331	347	365	388	406	421	433	3,396
Mega Cost	23	97	155	185	181	185	190	196	202	208	1,622
State Revenue Net of MEGA Cost*	\$261	\$60	\$109	\$146	\$166	\$180	\$198	\$210	\$219	\$225	\$1,774

* 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.