

**The Economic Effects on Michigan of the  
Edgewater Automation Manufacturing Facility**

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

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### Abstract

*Edgewater Automation, LLC is considering locating a manufacturing facility in St. Joseph/Benton Harbor, Michigan. This facility would design and build custom automation systems to meet advanced manufacturing needs. The new facility would employ up to 46 people by the end of 2005. We estimate that by 2005, this location will have generated a total of 110 jobs in the state. Total state government revenues through 2005, net of MEGA costs and adjusted for inflation, would increase by \$1.5 million (2001 dollars) due to the location of the Edgewater Automation Manufacturing Facility.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Edgewater Automation, LLC locating a custom automation manufacturing facility in St. Joseph/Benton Harbor. Investment activity would take place between 2001 and 2005, with an investment of \$784, 000. The facility would be located in an existing building, and would employ an additional 46 people by 2005.

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 2001 to 2005, 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 2001 to 2002, 75 percent for employees hired at the facility in 2003, and 50 percent for employees hired at the facility in 2004 and 2005.

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 2005, the first year of full operations, an additional 110 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 1.67 over the period 2001 to 2005. 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 Edgewater Automation, LLC were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$7.3 million (in current dollars) than it would be without the facility. Adjusted for inflation, state personal income in 2001 dollars would be \$6.6 million higher in 2005.

The gain in economic activity results in higher government revenues. We estimate that in 2005, the facility would generate \$584,000 in additional gross state revenue, and that the MEGA package would provide a \$57,000 incentive to Edgewater Automation, LLC. Thus, the new Edgewater Automation, LLC facility would increase state revenues in 2005 by \$527,000, net of MEGA costs.

Over the period 2001 to 2005, state government revenue is projected to increase by \$1.9 million (in current dollars) due to the new Edgewater Automation, LLC facility. The MEGA incentive package for Edgewater Automation, LLC is forecast to cost \$250,000 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 2001 to 2005 would be \$1.5 million in 2001 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.

**Edgewater Automation, LLC Manufacturing Facility  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	Total
Total Employment	32	57	89	98	110	
Manufacturing	14	25	39	43	49	
Non-Manufacturing	18	32	50	55	61	
Retail Trade	4	7	11	13	13	
Services	7	13	20	22	25	
Other	7	12	19	20	23	
In Current Dollars (Thousands):						
Personal Income	\$1,556	\$3,082	\$5,157	\$6,165	\$7,294	\$23,254
Gross State Revenue	124	247	413	493	584	1,861
Mega Cost	27	51	65	50	57	250
State Revenue Net of MEGA Cost*	\$97	\$196	\$348	\$443	\$527	\$1,611
Adjusted for Inflation (Thousands of 2001 Dollars):						
Personal Income	\$1,556	\$3,010	\$4,921	\$5,748	\$6,648	\$21,883
Gross State Revenue	124	241	394	460	532	1,751
Mega Cost	27	50	62	47	52	238
State Revenue Net of MEGA Cost*	\$97	\$191	\$332	\$413	\$480	\$1,513

\* 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.