

**The Economic Effects on Michigan of the
Grupo Antolin Michigan, Inc., Expansion**

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

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Abstract

Grupo Antolin Michigan is considering building an expanded production facility in Marlette, Michigan. This facility would ship product to assembly facilities in Canada. The new facility would employ up to 120 people by the end of 2009. We estimate that by 2015, this location will have generated a total of 310 jobs in the state. Total state government revenues through 2015, net of MEGA costs and adjusted for inflation, would increase by \$10.5 million (2004 dollars) due to the expansion of the Grupo Antolin facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Grupo Antolin Michigan locating an expanded production facility in Marlette. Investment activity would take place from 2005 to 2009 with an investment of \$5.9 million. The facility would employ an additional 120 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 2006 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 2008, and 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 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 2009, the first year of full operations, an additional 325 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 2.23 over the period 2006 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 Grupo Antolin Michigan were to locate in Michigan under the incentive program, state personal income in 2009 would be higher by \$18.5 million (in current dollars) than it would be without the facility, and in 2015, it would be \$24 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$16.7 million in 2009 and \$19.3 million in 2015.

The gain in economic activity results in higher government revenues. We estimate that in 2010, the first year of full operations without investment activity, the facility would generate \$1,506,000 in additional gross state revenue, and that the MEGA package would provide a \$134,000 incentive to Grupo Antolin Michigan. Thus, the new Grupo Antolin Michigan facility would increase state revenues in 2010 by \$1,372,000, net of MEGA costs.

Over the period 2006 to 2015 state government revenue is projected to increase by \$13.4 million (in current dollars) due to the new Grupo Antolin Michigan facility. The MEGA incentive package for Grupo Antolin Michigan is forecast to cost \$1.2 million over the period, resulting in a net increase in state government revenue of \$12.2 million. Adjusted for inflation, the total net increase in state government revenue from 2006 to 2015 would be \$10.5 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.

Grupo Antolin Michigan
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Total
Total Employment											
Manufacturing	86	136	267	325	319	315	307	307	307	310	
Non-Manufacturing	40	66	132	158	155	152	148	149	150	151	
Retail Trade	46	70	135	167	164	163	159	158	157	159	
Services	8	12	24	29	28	27	27	26	26	26	
Other	23	36	70	85	82	79	77	77	77	79	
	15	22	41	53	54	57	55	55	54	54	
In Current Dollars (Thousands):											
Personal Income	\$4,059	\$6,927	\$14,310	\$18,490	\$19,560	\$20,420	\$21,150	\$22,000	\$23,100	\$24,050	\$174,066
Gross State Revenue	313	533	1,102	1,424	1,506	1,572	1,629	1,694	1,779	1,852	13,404
Mega Cost	16	51	106	131	134	140	147	153	161	169	1,208
State Revenue Net of MEGA Cost*	\$297	\$482	\$996	\$1,293	\$1,372	\$1,432	\$1,482	\$1,541	\$1,618	\$1,683	\$12,196
Adjusted for Inflation (Thousands of 2004 Dollars):											
Personal Income	\$3,899	\$6,515	\$13,184	\$16,688	\$17,299	\$17,701	\$17,972	\$18,327	\$18,866	\$19,255	\$149,706
Gross State Revenue	301	501	1,015	1,285	1,332	1,363	1,384	1,411	1,453	1,483	11,528
Mega Cost	15	48	97	118	119	122	125	128	131	135	1,038
State Revenue Net of MEGA Cost*	\$286	\$453	\$918	\$1,167	\$1,213	\$1,241	\$1,259	\$1,283	\$1,322	\$1,348	\$10,490

* 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.