

**The Economic Effects on Michigan of the
Inalfa Roof Systems, Inc. Facility Location Decision**

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Abstract

Inalfa Roof Systems, Inc., an original equipment manufacturer of electronic sunroof modules, is considering establishing a new manufacturing facility in an existing building in Grand Blanc Township, Michigan. The facility would employ an additional 161 people by 2005. We estimate that by 2013, this location will have generated a total of 383 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by \$12,356,000 (2002 dollars) due to the location of Inalfa Roof Systems, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Inalfa Roof Systems, Inc., an original equipment manufacturer of electronic sunroof modules, establishing a new manufacturing facility in an existing building in Grand Blanc Township, Michigan (SIC 3714). Investment activity would take place between 2003 and 2005, with an investment of \$7.6 million. The facility would employ an additional 161 people by 2005.

The estimates of the benefits 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 2013, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2004 to 2013 equal to 100 percent of the state income tax rate on the payroll (gross wages) of employees hired at the facility as a result of the project.

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 generated from two sources, increased purchases from Michigan suppliers and spending by people who receive income due to the increased economic activity. The investment activity is expected to generate a total of 43 jobs in 2003 and 5 jobs in 2005; almost all of these jobs are temporary. In 2006, the first year of full operations without investment activity, an additional 433 jobs are generated in the state. We estimate that by 2013, this location will have generated a total of 383 additional jobs in the state. The total number of jobs created (direct plus spin-off) for every direct job introduced constitutes the "employment multiplier." The employment multiplier for the location averages 2.5 over the period 2006 to 2013. Sectoral detail on the employment gains 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 Inalfa Roof Systems, Inc. were to locate its operations to Michigan under the incentive program, state personal income in 2006 would be higher by \$25.3 million (in current

dollars) than it would be without the location, and in 2013 it would be \$31.1 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$18.6 million in 2006 and \$20.7 million in 2013.

The gain in economic activity results in higher state government revenues. We estimate that in 2006, the first year of full operations without investment activity, the new facility would generate \$1,946,000 in additional gross state government revenue, and that the MEGA package would provide a \$251,000 incentive to Inalfa Roof Systems, Inc. Thus, the Inalfa Roof Systems, Inc. location would increase state government revenues in 2006 by \$1,695,000, net of MEGA incentive costs.

Over the period 2003 to 2013, gross state government revenue is projected to increase by \$20,232,000 (in current dollars) due to the location of Inalfa Roof Systems, Inc. The MEGA incentive package for Inalfa Roof Systems, Inc. is forecast to cost \$2,745,000 over the period, resulting in a net increase in state government revenue of \$17,487,000. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2013 would be \$12,356,000 in 2002 dollars.

None of these 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.

**Economic and Fiscal Effects on Michigan of the Inalfa Roof Systems, Inc. Facility Location
Net Benefits with the Incentive Package**

| Economic/Fiscal Indicator | 2003 | 2004 | 2005 | 2006 | 2010 | 2013 | Total 2003-2013 |
|--|-------|--------|--------|--------|--------|--------|--------------------|
| Total Employment | 112 | 199 | 439 | 433 | 384 | 383 | — |
| Manufacturing | 45 | 97 | 193 | 189 | 175 | 174 | — |
| Nonmanufacturing | 67 | 102 | 246 | 244 | 209 | 209 | — |
| Retail Trade | 13 | 24 | 55 | 53 | 42 | 41 | — |
| Services | 17 | 35 | 87 | 81 | 62 | 63 | — |
| Other | 37 | 43 | 104 | 110 | 105 | 105 | — |
| In current dollars (thousands): | | | | | | | |
| Personal income | 5,100 | 10,100 | 23,100 | 25,300 | 28,300 | 31,100 | 263,100 |
| Gross state revenue | 392 | 777 | 1,776 | 1,946 | 2,176 | 2,392 | 20,232 |
| MEGA cost | 0 | 115 | 232 | 251 | 306 | 344 | 2,745 |
| State revenue net of MEGA cost* | 392 | 662 | 1,544 | 1,695 | 1,870 | 2,048 | 17,487 |
| Adjusted for inflation (thousands of 2002 dollars): | | | | | | | |
| Personal income | 4,246 | 7,922 | 17,607 | 18,597 | 19,473 | 20,691 | 185,767 |
| Gross state revenue | 326 | 609 | 1,354 | 1,430 | 1,498 | 1,591 | 14,286 |
| MEGA cost | 0 | 90 | 177 | 185 | 211 | 229 | 1,930 |
| State revenue net of MEGA cost* | 326 | 519 | 1,177 | 1,245 | 1,287 | 1,362 | 12,356 |

*These estimates do not include any state government revenue losses due to the Investment Tax Credit.