

**The Economic Effects on Michigan of the  
Lear Plymouth Asian OEM Product Development Center**

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

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### Abstract

*Lear Corporation is considering locating a new product development center focused entirely on the company's work with Asian OEMs in Plymouth, Michigan. This facility would separate research and development done for domestic customers from that done for non-domestic customers. The new facility would employ up to 150 people by the end of 2007. We estimate that by 2012, this location will have generated a total of 203 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$3.2 million (2002 dollars) due to the location of the Asian OEM Product Development Center.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Lear Corporation locating a product development center in Plymouth. Investment activity would take place between 2002 and 2006 with an investment of \$6.5 million. The facility would employ an additional 150 people and would be at full production by 2007.

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 relief from 100 percent of the single business tax for the period 2003 to 2012, 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 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 2007, the first year of full operations, an additional 272 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 Lear Corporation were to locate in Michigan under the incentive program, state personal income in 2007 would be higher by \$16.9 million (in current dollars) than it would be without the facility, and in 2012, it would be \$19.8 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$15.3 million in 2007 and \$16.1 million in 2012.

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 \$1.4 million in additional gross state revenue, and that the MEGA package would provide a \$915,000 incentive to Lear Corporation. Thus, the new Lear Corporation facility would increase state revenues in 2007 by \$438,000, net of MEGA costs.

Over the period 2003 to 2012 state government revenue is projected to increase by \$10.4 million (in current dollars) due to the new Lear Corporation facility. The MEGA incentive package for Lear Corporation is forecast to cost \$6.7 million over the period, resulting in a net increase in state government revenue of \$3.7 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2012 would be \$3.2 million in 2002 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.

**Lear Plymouth Asian OEM  
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
<b>Total Employment</b>	12	60	73	176	272	256	241	225	211	203	
Manufacturing	0	1	0	0	(1)	(4)	(7)	(10)	(12)	(13)	
Non-Manufacturing	12	59	73	176	273	260	248	235	223	216	
Retail Trade	1	6	7	18	28	26	24	22	19	18	
Services	8	43	56	134	210	203	197	191	185	181	
Other	3	10	10	24	35	31	27	22	19	17	
<b>In Current Dollars (Thousands):</b>											
Personal Income	\$641	\$3,021	\$4,242	\$10,130	\$16,910	\$17,970	\$18,800	\$19,170	\$19,470	\$19,810	\$130,161
Gross State Revenue	51	242	339	810	1,353	1,438	1,504	1,534	1,558	1,585	10,411
Mega Cost	99	231	275	555	915	863	891	919	949	980	6,671
State Revenue Net of MEGA Cost*	(\$48)	\$12	\$64	\$255	\$438	\$575	\$613	\$615	\$609	\$605	\$3,733
<b>Adjusted for Inflation (Thousands of 2002 Dollars):</b>											
Personal Income	\$629	\$2,905	\$3,999	\$9,363	\$15,324	\$15,967	\$16,357	\$16,316	\$16,207	\$16,122	\$113,181
Gross State Revenue	50	233	320	749	1,226	1,278	1,309	1,306	1,297	1,290	9,051
Mega Cost	97	222	259	513	829	767	775	782	790	798	5,832
State Revenue Net of MEGA Cost*	(\$47)	\$11	\$61	\$236	\$397	\$511	\$534	\$524	\$507	\$492	\$3,226

\* 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.