

**The Economic Effects on Michigan of the  
Metaldyne Corporation - Middleville Machining & Assembly**

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

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## Abstract

*Metaldyne Corporation is considering expanding its machining and assembly facility in Middleville, Michigan. This project will increase production due to new contracts and move production currently performed at an out of state location to the Middleville facility. The facility would employ an additional 64 people by the end of 2007. We estimate that by 2012, this location will have generated a total of 92 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$35.6 million (2005 dollars) due to the expansion of the Metaldyne machining and assembly facility.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Metaldyne Corporation expanding its facility in Middleville. Investment activity would take place 2005 and 2006 with an investment of \$8 million. The facility would employ an additional 64 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 2005 to 2012, are shown in the attached table. The MEGA incentive package provides 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 2005 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 64 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 1.38 over the period 2005 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 Metaldyne Corporation were to expand in Michigan under the incentive program, state personal income in 2007 would be higher by \$4.5 million (in current dollars) than it would be without the facility, and in 2012, it would be \$6.1 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$4.3 million in 2007 and \$5.2 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

would provide a \$95,000 incentive to Metaldyne Corporation. Thus, the new Metaldyne Corporation facility would increase state revenues in 2007 by \$255,000, net of MEGA costs.

Over the period 2005 to 2012 state government revenue is projected to increase by \$3 million (in current dollars) due to the expansion of the Metaldyne Corporation facility. The MEGA incentive package for Metaldyne Corporation is forecast to cost \$731,000 over the period, resulting in a net increase in state government revenue of \$2.3 million. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2012 would be \$2.1 million in 2005 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.

**Metaldyne Corporation**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2011	2012	Total
<b>Total Employment</b>									
Manufacturing	75	81	91	91	92	92	93	92	
Non-Manufacturing	24	44	49	49	49	49	49	49	
Retail Trade	51	37	42	42	43	43	44	43	
Services	9	7	7	7	7	7	8	7	
Other	22	18	20	19	20	20	20	20	
	20	12	15	16	16	16	16	16	
<b>In Current Dollars (Thousands):</b>									
Personal Income	\$3,113	\$3,723	\$4,547	\$4,822	\$5,157	\$5,493	\$5,798	\$6,073	\$38,726
Gross State Revenue	240	287	350	371	397	423	446	468	2,982
Mega Cost	23	81	95	98	101	106	111	116	731
<b>State Revenue Net of MEGA Cost*</b>	<b>\$217</b>	<b>\$206</b>	<b>\$255</b>	<b>\$273</b>	<b>\$296</b>	<b>\$317</b>	<b>\$335</b>	<b>\$352</b>	<b>\$2,251</b>
<b>Adjusted for Inflation</b> <b>(Thousands of 2005 Dollars):</b>									
Personal Income	\$3,113	\$3,636	\$4,348	\$4,517	\$4,732	\$4,939	\$5,110	\$5,247	\$35,642
Gross State Revenue	240	280	335	348	364	380	393	404	2,744
Mega Cost	23	79	91	92	93	95	97	100	670
<b>State Revenue Net of MEGA Cost*</b>	<b>\$217</b>	<b>\$201</b>	<b>\$244</b>	<b>\$256</b>	<b>\$271</b>	<b>\$285</b>	<b>\$296</b>	<b>\$304</b>	<b>\$2,074</b>

\* 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.