

**The Economic Effects on Michigan of the  
Osmic Incorporated Research and Development Center**

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

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### Abstract

*Osmic Incorporated is considering building a research and development center in Auburn Hills, Michigan. This facility will work to produce soft x-ray applications for use in industrial analytical instrumentation, life sciences, and the semiconductor industry. The new facility would employ up to 100 people by the end of 2006. We estimate that by 2013, this location will have generated a total of 198 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by \$11.1 million (2001 dollars) due to the location of the Osmic Incorporated Research and Development Center.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Osmic Incorporated locating a research and development center in Auburn Hills. Investment activity would take place between 2001 and 2006, with an investment of \$9.8 million. The facility would employ an additional 100 people and would be at full production by 2006.

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 2013, 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 2002 to 2004, 75 percent for employees hired 2005 to 2007, 50 percent for employees hired 2008 to 2010, and 25 percent for employees hired 2011 to 2013.

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 2006, the first year of full operations, an additional 243 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 1.79 over the period 2001 to 2013. 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 Osmic Incorporated were to locate in Michigan under the incentive program, state personal income in 2006 would be higher by \$16.9 million (in current dollars) than it would be without the facility, and in 2013, it would be \$19.6 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$15.1 million in 2006 and \$14.8 million in 2013.

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 \$182,000 incentive to Osmic Incorporated. Thus, the new Osmic Incorporated facility would increase state revenues in 2007 by \$1.2 million, net of MEGA costs.

Over the period 2001 to 2013, state government revenue is projected to increase by \$14.6 million (in current dollars) due to the new Osmic Incorporated facility. The MEGA incentive package for Osmic Incorporated is forecast to cost \$1.4 million over the period, resulting in a net increase in state government revenue of \$13.2 million. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2013 would be \$11.1 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.

**Osmic Incorporated Research & Development Center  
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2010	2013	Total
<b>Total Employment</b>											
Manufacturing	64	32	78	205	243	243	229	217	206	198	
Non-Manufacturing	2	12	34	88	105	107	104	101	99	97	
Retail Trade	62	20	44	117	138	136	125	116	107	101	
Services	7	4	10	26	30	30	27	25	23	22	
Other	10	7	18	48	57	57	53	51	48	47	
	45	9	16	43	51	49	45	40	36	32	
<b>In Current Dollars (Thousands):</b>											
Personal Income	\$2,838	\$2,045	\$4,608	\$11,990	\$15,500	\$16,910	\$17,180	\$17,490	\$18,250	\$19,620	\$181,901
Gross State Revenue	227	164	369	959	1,240	1,353	1,374	1,399	1,460	1,570	14,552
Mega Cost	0	21	64	169	160	175	182	125	135	75	1,379
State Revenue Net of MEGA Cost*	\$227	\$143	\$305	\$790	\$1,080	\$1,178	\$1,192	\$1,274	\$1,325	\$1,495	\$13,173
<b>Adjusted for Inflation (Thousands of 2001 Dollars):</b>											
Personal Income	\$2,838	\$1,998	\$4,397	\$11,180	\$14,127	\$15,070	\$14,973	\$14,909	\$14,837	\$14,807	\$153,471
Gross State Revenue	227	160	352	894	1,130	1,206	1,197	1,193	1,187	1,185	12,277
Mega Cost	0	21	61	158	146	156	158	107	109	57	1,192
State Revenue Net of MEGA Cost*	\$227	\$139	\$291	\$736	\$984	\$1,050	\$1,039	\$1,086	\$1,078	\$1,128	\$11,085