

**The Economic Effects on Michigan of the
The POM Group Advanced Product Development Center**

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

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Abstract

The POM Group Incorporated is considering establishing a product development center in Auburn Hills, Michigan. This facility would be used to enable POM to develop advanced manufacturing solutions using its patented Direct Metal Deposition process. The new facility would employ up to 75 people by the end of 2003. We estimate that by 2006, this location will have generated a total of 220 jobs in the state. Total state government revenues through 2006, net of MEGA costs and adjusted for inflation, would increase by \$4.7 million (2001 dollars) due to the location of The POM Group Advanced Product Development Center.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of The POM Group Incorporated locating a product development center in Auburn Hills. Investment activity would take place between 2001 and 2002, with an investment of \$6.4 million. The facility would employ an additional 75 people and would be at full production by 2003.

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 2006, are shown in the attached table. The MEGA incentive package includes relief from 75 percent of the single business tax for the period 2001 to 2006, 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 same period.

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 2003, the first year of full operations, an additional 255 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 3.05 over the period 2001 to 2006. 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 The POM Group Incorporated were to locate in Michigan under the incentive program, state personal income in 2003 would be higher by \$14.9 million (in current dollars) than it would be without the facility, and in 2006, it would be \$16 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$14.2 million in 2003 and \$14.3 million in 2006.

The gain in economic activity results in higher government revenues. We estimate that in 2003, the first year of full operations without investment activity, the facility would generate \$1.2 million in additional gross state revenue, and that the MEGA package would provide a \$332,000 incentive to The POM Group Incorporated. Thus, the new The POM Group Incorporated facility would increase state revenues in 2003 by \$862,000, net of MEGA costs.

Over the period 2001 to 2006, state government revenue is projected to increase by \$6.7 million (in current dollars) due to the new The POM Group Incorporated facility. The MEGA incentive package for The POM Group Incorporated is forecast to cost \$1.7 million over the period, resulting in a net increase in state government revenue of \$5 million. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2006 would be \$4.7 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.

The POM Group, Incorporated
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	2006	Total
Total Employment	195	234	255	241	230	220	
Manufacturing	59	76	85	81	79	77	
Non-Manufacturing	136	158	170	160	151	143	
Retail Trade	26	31	34	32	29	27	
Services	47	57	62	58	56	53	
Other	63	70	74	70	66	63	
In Current Dollars (Thousands):							
Personal Income	\$9,308	\$12,570	\$14,920	\$15,440	\$15,780	\$16,020	\$84,038
Gross State Revenue	745	1,006	1,194	1,235	1,262	1,282	6,724
Mega Cost	134	247	332	329	331	332	1,705
State Revenue Net of MEGA Cost*	\$611	\$759	\$862	\$906	\$931	\$950	\$5,019
Adjusted for Inflation (Thousands of 2001 Dollars):							
Personal Income	\$9,308	\$12,278	\$14,237	\$14,397	\$14,382	\$14,277	\$78,879
Gross State Revenue	745	983	1,139	1,152	1,150	1,142	6,311
Mega Cost	134	242	317	307	301	296	1,597
State Revenue Net of MEGA Cost*	\$611	\$741	\$822	\$845	\$849	\$846	\$4,714

* 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.