

**The Economic Effects on Michigan of the
Quicken Loans, Inc. Facility Expansion Decision**

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Abstract

Quicken Loans, Inc. is considering leasing an existing facility in Livonia to expand its business operations. The project would expand the company's web-center operations, which provides conventional, government-insured and sub-prime debt consolidation, and home financing loans. The new facility would employ an additional 515 people by 2003. We estimate that by 2007, this expansion will have generated a total of 928 jobs in the state. Total state government revenues through 2007, net of MEGA costs and adjusted for inflation, would increase by \$15,171,000 (2000 dollars) due to the expansion of Quicken Loans, Inc.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Quicken Loans, Inc. leasing an existing facility in Livonia to expand its business operations. The project would expand the company's web-center operations, which provides conventional, government-insured and sub-prime debt consolidation, and home financing loans (SIC 7371). Investment activity would take place between 2001 and 2003, with an investment of \$15.9 million. The facility would employ an additional 515 people and be at full production by 2003.

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 2001 to 2007, 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 2007; it also includes a tax credit to the company for the same period equal to 75 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 construction activity is expected to generate a total of 223 jobs in 2001; almost all of these jobs are temporary. In 2003, the first year of full operations, an additional 1,092 jobs are generated in the state. We estimate that by 2007, this expansion will have generated a total of 928 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 expansion averages 1.9 over the period 2001 to 2007. 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 Quicken Loans, Inc. were to expand in Michigan under the incentive program, state personal income in 2003 would be higher by \$59.3 million (in current dollars) than it would be without the facility, and in 2007 it would be \$68.5 million higher. Adjusted for inflation, these numbers in 2000 dollars would be \$44.103 million in 2003 and \$45.519 million in 2007.

The gain in economic activity results in higher state government revenues. We estimate that in 2003, the first year of full operations, the facility would generate \$4,744,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,463,000 incentive to Quicken Loans, Inc. Thus, the Quicken Loans, Inc. facility expansion would increase state government revenues in 2003 by \$3,281,000, net of MEGA incentive costs.

Over the period 2001 to 2007, gross state government revenue is projected to increase by \$30,088,000 (in current dollars) due to the expansion of Quicken Loans, Inc. The MEGA incentive package for Quicken Loans, Inc. is forecast to cost \$8,659,000 over the period, resulting in a net increase in state government revenue of \$21,429,000. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2007 would be \$15,171,000 in 2000 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 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 Quicken Loans, Inc. Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2001	2002	2003	2005	2007	Total 2001-2007
Total Employment	442	660	1,092	996	928	—
Manufacturing	13	7	6	0	0	—
Nonmanufacturing	429	653	1,086	996	928	—
Retail Trade	65	107	178	159	144	—
Services	183	460	764	722	695	—
Other	181	86	144	115	89	—
In current dollars (thousands):						
Personal income	19,500	34,200	59,300	65,000	68,500	376,100
Gross state revenue	1,560	2,736	4,744	5,200	5,480	30,088
MEGA cost	347	912	1,463	1,484	1,508	8,659
State revenue net of MEGA cost*	1,213	1,824	3,281	3,716	3,972	21,429
Adjusted for inflation (thousands of 2000 dollars):						
Personal income	15,493	26,211	44,103	45,027	45,519	266,388
Gross state revenue	1,240	2,097	3,528	3,602	3,642	21,311
MEGA cost	276	699	1,088	1,028	1,002	6,140
State revenue net of MEGA cost*	964	1,398	2,440	2,574	2,640	15,171

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