

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

**George A. Fulton
Peter Nicolas
Donald R. Grimes**

University of Michigan

February 15, 2005

Abstract

Quicken Loans, Inc., is considering an expansion of its operations in Livonia, Michigan, by adding new positions in leased office space. The facility would employ an additional 500 workers by 2006. We estimate that by 2010, this expansion will have generated a total of 1,555 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would increase by \$74,878,000 (2005 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 if Quicken Loans, Inc., expands its operations in Livonia, Michigan, by adding new positions in leased office space (SIC 6162). The facility would employ an additional 500 workers by 2006. Investment activity would take place between 2005 and 2009, with an investment of \$6.7 million.

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 2005 to 2010, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2005 to 2009 equal to 100 percent, and 50 percent in 2010, 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 investment activity is expected to generate a total of 7 jobs in 2005 and 11 jobs in 2006; almost all of these jobs are temporary. In 2007, an additional 1,925 jobs are generated in the state. We estimate that by 2010, this expansion will have generated a total of 1,555 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 3.5 over the period 2007 to 2010. 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 its operations in Michigan under the incentive program, state personal income in 2007 would be higher by \$227.5 million (in current dollars)

than it would be without the expansion, and in 2010 it would be \$239.3 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$197.7 million in 2007 and \$192.6 million in 2010.

The gain in economic activity results in higher state government revenues. We estimate that in 2007, the expanded facility would generate \$17,495,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,630,000 incentive to Quicken Loans, Inc. Thus, the Quicken Loans, Inc., expansion would increase state government revenues in 2007 by \$15,865,000, net of MEGA incentive costs.

Over the period 2005 to 2010, gross state government revenue is projected to increase by \$95,241,000 (in current dollars) due to the expansion of Quicken Loans, Inc. The MEGA incentive package for Quicken Loans, Inc., is forecast to cost \$8,032,000 over the period, resulting in a net increase in state government revenue of \$87,209,000. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2010 would be \$74,878,000 in 2005 dollars.

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	2005	2006	2007	2008	2009	2010	Total 2005-2010
Total Employment	870	2,096	1,925	1,778	1,645	1,555	—
Manufacturing	24	45	16	0	0	0	—
Nonmanufacturing	846	2,051	1,909	1,778	1,645	1,555	—
Retail trade	196	474	446	424	403	388	—
Services	246	591	529	478	434	399	—
Other	404	986	934	876	808	768	—
In current dollars (thousands):							
Personal income	84,600	219,700	227,500	232,100	235,300	239,300	1,238,500
Gross state revenue	6,506	16,895	17,495	17,848	18,095	18,402	95,241
MEGA cost	362	1,237	1,630	1,796	1,977	1,031	8,032
State revenue net of MEGA cost*	6,144	15,658	15,865	16,052	16,118	17,371	87,209
Adjusted for inflation (thousands of 2005 dollars):							
Personal income	84,600	199,010	197,678	195,717	193,419	192,582	1,063,007
Gross state revenue	6,506	15,304	15,201	15,051	14,874	14,810	81,745
MEGA cost	362	1,120	1,417	1,514	1,625	829	6,867
State revenue net of MEGA cost*	6,144	14,184	13,784	13,537	13,249	13,981	74,878

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