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

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Abstract

Quicken Loans, Inc., which continues to grow in Michigan and needs to expand into a second location, is considering leasing an additional 100,000 square feet of space in Troy, Michigan. The facility would employ an additional 1,200 people by 2006. We estimate that by 2009, this expansion will have generated a total of 5,895 jobs in the state. Total state government revenues through 2009, net of MEGA costs and adjusted for inflation, would increase by \$280,863,000 (2004 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., which continues to grow in Michigan and needs to expand into a second location, leases an additional 100,000 square feet of space in Troy, Michigan (SIC 6162). Investment activity would take place between 2004 and 2008, with an investment of \$15.1 million. The facility would employ an additional 1,200 people by 2006.

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 2004 to 2009, are shown in the attached table. The MEGA incentive package includes relief from 100 percent of the single business tax for the period 2004 through 2009; it also includes a tax credit to the company for the period 2004 to 2007 equal to 100 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 investment activity is expected to generate a total of 14 jobs in 2004, 14 jobs in 2005, and 13 jobs in 2006; almost all of these jobs are temporary. In 2009, the first year of full operations without investment activity, an additional 5,895 jobs are generated 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 is 4.9 in 2009. 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 2009 would be higher by \$983.3 million (in current dollars)

than it would be without the expansion. Adjusted for inflation, this number in 2004 dollars would be \$792.6 million in 2009.

The gain in economic activity results in higher state government revenues. We estimate that in 2009, the first year of full operations without investment activity, the expanded facility would generate \$75,616,000 in additional gross state government revenue, and that the MEGA package would provide a \$6,284,000 incentive to Quicken Loans, Inc. Thus, the Quicken Loans, Inc., expansion would increase state government revenues in 2009 by \$69,332,000, net of MEGA incentive costs.

Over the period 2004 to 2009, gross state government revenue is projected to increase by \$361,761,000 (in current dollars) due to the expansion of Quicken Loans, Inc. The MEGA incentive package for Quicken Loans, Inc., is forecast to cost \$34,617,000 over the period, resulting in a net increase in state government revenue of \$327,144,000. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2009 would be \$280,863,000 in 2004 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.

The employment multiplier reported in this study is larger than the model would normally predict, due to the high wage levels specified in the application. The study results reflect the effect on total employment, and on the estimated amount of the MEGA award, of the wage levels provided by the company.

**Economic and Fiscal Effects on Michigan of the Quicken Loans, Inc., Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	Total 2004-2009
Total Employment	2,716	5,188	7,430	6,784	6,336	5,895	—
Manufacturing	81	122	125	29	0	0	—
Nonmanufacturing	2,635	5,066	7,305	6,755	6,336	5,895	—
Retail Trade	691	1,341	1,947	1,842	1,771	1,702	—
Services	850	1,623	2,331	2,118	1,942	1,797	—
Other	1,094	2,102	3,027	2,795	2,623	2,396	—
In current dollars (thousands):							
Personal income	287,900	595,900	922,600	946,700	967,900	983,300	4,704,300
Gross state revenue	22,140	45,825	70,948	72,801	74,432	75,616	361,761
MEGA cost	1,374	3,886	6,977	9,953	6,143	6,284	34,617
State revenue net of MEGA cost*	20,766	41,939	63,971	62,848	68,289	69,332	327,144
Adjusted for inflation (thousands of 2004 dollars):							
Personal income	287,900	547,881	808,522	802,044	798,628	792,602	4,037,577
Gross state revenue	22,140	42,132	62,175	61,677	61,415	60,951	310,490
MEGA cost	1,374	3,573	6,114	8,432	5,069	5,066	29,627
State revenue net of MEGA cost*	20,766	38,559	56,061	53,245	56,346	55,885	280,863

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