

**The Economic Effects on Michigan
of the RSDC of Michigan, L.L.C., Facility Location Decision**

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Abstract

RSDC Inc. of Michigan, L.L.C., is considering locating a new facility in Delhi Township, Michigan. The company will provide state-of-the-art processing equipment, modern steel transportation services and electronic data interchange technology in the slitting and blanking of coiled steel for end products of all-steel components for General Motors vehicles and trucks. By the year 2000, the facility would employ 222 people. We estimate that by 2013, this location will have generated a total of 720 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would be increased by \$26,752,000 (1997 dollars) due to the location of RSDC Inc. of Michigan, L.L.C.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of RSDC Inc. of Michigan, L.L.C., locating a new facility in Delhi Township, Michigan. The company will provide state-of-the-art processing equipment, modern steel transportation services and electronic data interchange technology in the slitting and blanking of coiled steel for end products of all-steel components for General Motors vehicles and trucks (SIC 5051). Investment activity would take place between 1997 and 1998, with an investment of \$80.675 million, and operations would begin in the second half of 1999. The facility would employ 222 workers by 2000.

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 1997 to 2013, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 1999-2013 equal to 4.4 percent of the payroll (gross wages) of employees hired at the facility as a result of the project. The payroll tax credit represents 100 percent of the maximum employment credit available to a company.

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 of the facility is expected to generate a total of 300 jobs in 1997 and 528 jobs in 1998; almost all of these jobs are temporary. In 2000, the first year of full operations, an additional 632 jobs are generated in the state. We estimate that by 2013 this facility will have generated a total of 720 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 location averages 2.9 over the period 2000-2013. 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 RSDC Inc. of Michigan, L.L.C., were to locate in Michigan under the incentive program, state personal income in 2000 would be higher by \$25.4 million (in current dollars) than it would be without the facility, and in 2013 it would be \$51.9 million higher. Adjusted for inflation, these numbers in 1997 dollars would be \$20.7 million in 2000 and \$30.7 million in 2013.

The gain in economic activity results in higher state government revenues. We estimate that in 2000, the first year of full operations, the facility would generate \$2,032,000 in additional gross state government revenue, and that the MEGA package would provide a \$338,000 incentive to RSDC Inc. of Michigan, L.L.C. Thus, the RSDC Inc. of Michigan, L.L.C., facility location would generate an additional \$1,694,000 in revenue to state government in 2000, net of MEGA incentive costs.

Over the period 1997-2013, gross state government revenue is projected to increase by \$45,520,000 (in current dollars) due to the location of RSDC Inc. of Michigan, L.L.C. The MEGA incentive package for RSDC Inc. of Michigan, L.L.C., is forecast to cost \$6,267,000 over the period, resulting in a net increase in state government revenue of \$39,253,000. Adjusted for inflation, the total net increase in state government revenue from 1997 to 2013 would be \$26,752,000 in 1997 dollars. These calculations do not include any revenue losses due to the property tax abatement. If the cost of the abatement 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 RSDC Inc. of Michigan, L.L.C., Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	1997	1998	1999	2000	2005	2010	2013	Total 1997-2013
Total Employment	300	528	211	632	617	674	720	—
Manufacturing	9	61	0	5	0	0	0	—
Nonmanufacturing	291	467	211	627	617	674	720	—
Retail Trade	36	65	16	86	73	77	83	—
Wholesale Trade	6	63	190	244	239	239	240	—
Services	49	107	0	217	211	242	268	—
Other	200	232	5	80	94	116	129	—
In current dollars (thousands):								
Personal income	10,900	22,200	11,300	25,400	33,900	44,000	51,900	569,000
Gross state revenue	872	1,776	904	2,032	2,712	3,520	4,152	45,520
MEGA cost	0	0	279	338	402	478	532	6,267
State revenue net of MEGA cost	872	1,776	625	1,694	2,310	3,042	3,620	39,253
Adjusted for inflation (thousands of 1997 dollars):								
Personal income	10,900	19,408	9,379	20,748	23,829	28,014	30,740	394,507
Gross state revenue	872	1,553	750	1,660	1,907	2,241	2,460	31,561
MEGA cost	0	0	266	313	322	330	337	4,809
State revenue net of MEGA cost	872	1,553	484	1,347	1,585	1,911	2,123	26,752

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