**The Economic Effects on Michigan of the**

**TG North America Headquarters and Technical Center Expansion**

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

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**Abstract**

*TG North America Corporation is considering a relocation and expansion of their North American headquarters and technical center in Troy, Michigan. The new facility would employ up to 200 people by the end of 2008. We estimate that by 2013, this location will have generated a total of 393 jobs in the state. Total state government revenues through 2013, net of MEGA costs and adjusted for inflation, would increase by $10 million (2004 dollars) due to the expansion of the TG North America headquarters and technical center.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of TG North America Corporation expanding their headquarters and technical center in Troy. Investment activity would take place between 2004 and 2008 with an investment of $3.5 million. The facility would employ an additional 200 people and would be at full production by 2008.

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 2004 to 2013, are shown in the attached table. The MEGA incentive package includes 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 period 2004 to 2013.

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 2008, the first year of full operations, an additional 455 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 1.77 over the period 2004 to 2013. 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 TG North America Corporation were to locate in Michigan under the incentive program, state personal income in 2008 would be higher by $26.6 million (in current dollars) than it would be without the facility, and in 2013, it would be $31.3 million higher. Adjusted for inflation, these numbers in 2004 dollars would be $24.9 million in 2008 and $27 million in 2013.

The gain in economic activity results in higher government revenues. We estimate that in 2009, the first year of full operations without investment activity, the facility would generate $2.1 million in additional gross state revenue, and that the MEGA package would provide a $774,000 incentive to TG North America Corporation. Thus, the new TG North America Corporation facility would increase state revenues in 2009 by $1.4 million, net of MEGA costs.

Over the period 2004 to 2013 state government revenue is projected to increase by $17.5 million (in current dollars) due to the new TG North America Corporation facility. The MEGA incentive package for TG North America Corporation is forecast to cost $6.5 million over the period, resulting in a net increase in state government revenue of $11 million. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2013 would be $10.1 million in 2004 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.

## TG North America Corporation

## Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

| Economic/Fiscal Indicator | 2004 | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Total Employment | 129 | 241 | 294 | 345 | 455 | 437 | 422 | 413 | 402 | 393 | |
| Manufacturing | 59 | 115 | 142 | 169 | 225 | 222 | 219 | 218 | 216 | 215 | |
| Non-Manufacturing | 70 | 126 | 152 | 176 | 230 | 215 | 203 | 195 | 186 | 178 | |
| Retail Trade | 19 | 35 | 42 | 49 | 64 | 61 | 58 | 56 | 54 | 52 | |
| Services | 29 | 52 | 63 | 75 | 98 | 91 | 87 | 83 | 80 | 76 | |
| Other | 22 | 39 | 47 | 52 | 68 | 63 | 58 | 56 | 52 | 50 | |
| In Current Dollars (Thousands): | | | | | | | | | | | |
| Personal Income | $5,829 | $11,750 | $15,530 | $19,410 | $26,610 | $27,710 | $28,720 | $29,720 | $30,550 | $31,340 | $227,169 |
| Gross State Revenue | 449 | 905 | 1,196 | 1,495 | 2,049 | 2,134 | 2,211 | 2,288 | 2,352 | 2,413 | 17,492 |
| Mega Cost | 148 | 316 | 416 | 530 | 738 | 774 | 815 | 858 | 904 | 954 | 6,454 |
| State Revenue Net of MEGA Cost* | $301 | $589 | $780 | $965 | $1,311 | $1,360 | $1,396 | $1,430 | $1,448 | $1,459 | $11,038 |
| Adjusted for Inflation (Thousands of 2004 Dollars): | | | | | | | | | | | |
| Personal Income | $5,829 | $11,563 | $15,036 | $18,486 | $24,924 | $25,524 | $26,015 | $26,482 | $26,774 | $27,007 | $207,640 |
| Gross State Revenue | 449 | 891 | 1,158 | 1,424 | 1,919 | 1,966 | 2,003 | 2,039 | 2,061 | 2,079 | 15,989 |
| Mega Cost | 148 | 311 | 403 | 505 | 691 | 713 | 738 | 764 | 793 | 822 | 5,888 |
| State Revenue Net of MEGA Cost* | $301 | $580 | $755 | $919 | $1,228 | $1,253 | $1,265 | $1,275 | $1,268 | $1,257 | $10,101 |

* 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.