

**The Economic Effects on Michigan of  
the Toyota Technical Center USA, Inc., Facility Location Decision**

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### Abstract

*Toyota Technical Center USA, Inc., proposes to redevelop a parcel of real property currently owned by the State of Michigan, which was formerly known as the Ypsilanti Psychiatric Hospital, located in York Township, Washtenaw County, Michigan. This project would reuse and redevelop a brownfield site, resulting in the remediation of an environmentally contaminated facility. The facility would employ an additional 400 people by 2009. We estimate that by 2028, this location will have generated a total of 677 jobs in the state. Total state government revenues through 2028, net of MEGA and Brownfield incentive costs and adjusted for inflation, would increase by \$60,042,000 (2005 dollars) due to the location of Toyota Technical Center USA, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if Toyota Technical Center USA, Inc., redevelops a parcel of real property currently owned by the State of Michigan, which was formerly known as the Ypsilanti Psychiatric Hospital, located in York Township, Washtenaw County, Michigan. Investment activity would take place between 2006 and 2008, with an investment of \$150 million. The facility would employ an additional 400 people by 2009.

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 incentive package, which includes both MEGA and Brownfield incentive costs, from 2006 to 2028, are shown in the attached table. The incentive package includes relief from 100 percent of the single business tax for the period 2009 through 2028; it also includes a tax credit to the company for the period 2009 to 2028 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 521 jobs in 2006, 665 jobs in 2007, and 628 jobs in 2008; almost all of these jobs are temporary. In 2010, an additional 736 jobs are generated in the state. We estimate that by 2028, this location will have generated a total of 677 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 location averages 1.6 over the period 2010 to 2028. 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 Toyota Technical Center USA, Inc., were to locate its operations in Michigan under the incentive program, state personal income in 2010 would be higher by \$75.8 million (in current dollars) than it would be without the location, and in 2028 it would be \$141.3 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$54 million in 2010 and \$71.1 million in 2028.

The gain in economic activity results in higher state government revenues. We estimate that in 2010, the new facility would generate \$5,829,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,986,000 incentive to Toyota Technical Center USA, Inc. Thus, the Toyota Technical Center USA, Inc., location would increase state government revenues in 2010 by \$3,843,000, net of MEGA incentive costs.

Over the period 2006 to 2028, gross state government revenue is projected to increase by \$163,582,000 (in current dollars) due to the location of Toyota Technical Center USA, Inc. The incentive package for Toyota Technical Center USA, Inc., is forecast to cost \$62,922,000 over the period, resulting in a net increase in state government revenue of \$100,660,000. Adjusted for inflation, the total net increase in state government revenue from 2006 to 2028 would be \$60,042,000 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 Toyota Technical Center USA, Inc., Facility Location  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2006	2007	2008	2010	2015	2020	2025	2028	Total 2006-2028
Total employment	521	665	628	736	627	635	661	677	—
Manufacturing	13	9	0	0	0	0	0	0	—
Nonmanufacturing	508	656	628	736	627	635	661	677	—
Retail trade	53	65	59	118	103	105	110	113	—
Services	94	126	111	537	488	487	500	510	—
Other	361	465	458	81	36	43	51	54	—
In current dollars (thousands):									
Personal income	25,700	37,500	39,900	75,800	86,800	103,700	125,400	141,300	2,127,200
Gross state revenue	1,976	2,884	3,068	5,829	6,675	7,975	9,643	10,866	163,582
MEGA cost	0	0	0	1,986	2,249	2,644	3,340	3,918	62,922
State revenue net of MEGA cost*	1,976	2,884	3,068	3,843	4,426	5,331	6,303	6,948	100,660
Adjusted for inflation (thousands of 2005 dollars):									
Personal income	19,681	26,526	26,442	54,000	56,717	61,808	67,749	71,067	1,286,718
Gross state revenue	1,513	2,040	2,034	4,153	4,362	4,753	5,210	5,465	98,948
MEGA cost	0	0	0	1,415	1,470	1,576	1,805	1,971	38,906
State revenue net of MEGA cost**	1,513	2,040	2,034	2,738	2,892	3,177	3,405	3,494	60,042

\*These estimates do not include any state government revenue losses due to the Property Tax Abatement, but do include losses to the State due to the Brownfield Credit.