

**The Economic Effects on Michigan of the
Universal Am-Can LTD. Consolidation and Expansion**

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

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Abstract

Universal Am-Can LTD. is considering locating a new headquarters facility in Warren, Michigan. This facility would house the headquarters and administrative functions of the Universal Am-Can LTD. The new facility would employ up to 594 people by the end of 2012. We estimate that by 2017, this location will have generated a total of 848 jobs in the state. Total state government revenues through 2017, net of MEGA costs and adjusted for inflation, would increase by \$15.7 million (2005 dollars) due to the location of the Universal Am-Can LTD. headquarters.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Universal Am-Can LTD. locating a corporate headquarters in Warren. Investment activity would take place between 2007 and 2012 with an investment of \$16.8 million. The facility would employ an additional 594 people and would be at full production by 2012.

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 2007 to 2017, 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 2008 to 2017.

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 2012, the first year of full operations, an additional 820 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 1.41 over the period 2007 to 2017. 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 Universal Am-Can LTD. were to locate in Michigan under the incentive program, state personal income in 2012 would be higher by \$37.9 million (in current dollars) than it would be without the facility, and in 2017, it would be \$54.6 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$32.8 million in 2012 and \$42.7 million in 2017.

The gain in economic activity results in higher government revenues. We estimate that in 2013, the first year of full operations without investment activity, the facility would

generate \$3.2 million in additional gross state revenue, and that the MEGA package would provide an \$886,000 incentive to Universal Am-Can LTD. Thus, the new Universal Am-Can LTD. facility would increase state revenues in 2013 by \$2.3 million, net of MEGA costs.

Over the period 2007 to 2017 state government revenue is projected to increase by \$25.6 million (in current dollars) due to the new Universal Am-Can LTD. facility. The MEGA incentive package for Universal Am-Can LTD. is forecast to cost \$6.8 million over the period, resulting in a net increase in state government revenue of \$18.8 million. Adjusted for inflation, the total net increase in state government revenue from 2007 to 2017 would be \$15.7 million in 2005 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.

Universal Am-Can LTD.
Summary Estimates
(all estimates in 2005 dollars)

TOTAL JOBS CREATED	848
Direct	594
Indirect	254
NET POSITIVE STATE REVENUE IMPACT	\$15,666,000
Revenue Foregone	\$5,661,000
Revenue Gain	\$21,327,000
Personal Income Generated Over Life of MEGA Agreement	\$276,954,000
Average Weekly Wage	\$571
Statewide Employment Multiplier	1.41

**Universal Am-Can LTD.
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2008	2009	2010	2011	2012	2013	2014	2015	2017	Total
Total Employment	156	240	355	488	820	826	834	838	848	
Manufacturing	4	5	6	7	11	9	7	6	5	
Non-Manufacturing	152	235	349	481	809	817	827	832	843	
Retail Trade	13	19	27	36	60	59	60	60	60	
Services	29	44	64	86	146	144	144	144	148	
Other	110	172	258	359	603	614	623	628	635	
In Current Dollars (Thousands):										
Personal Income	\$5,798	\$9,644	\$15,140	\$21,790	\$37,930	\$41,690	\$45,140	\$48,370	\$54,570	\$332,744
Gross State Revenue	446	743	1,166	1,678	2,921	3,210	3,476	3,724	4,202	25,622
Mega Cost	108	190	307	480	849	886	926	969	1,067	6,797
State Revenue Net of MEGA Cost*	\$338	\$553	\$859	\$1,198	\$2,072	\$2,324	\$2,550	\$2,755	\$3,135	\$18,825
Adjusted for Inflation (Thousands of 2005 Dollars):										
Personal Income	\$5,431	\$8,850	\$13,614	\$19,204	\$32,769	\$35,310	\$37,480	\$39,371	\$42,691	\$276,954
Gross State Revenue	418	682	1,048	1,479	2,524	2,719	2,886	3,031	3,287	21,327
Mega Cost	101	174	277	423	734	750	768	789	835	5,661
State Revenue Net of MEGA Cost*	\$317	\$508	\$771	\$1,056	\$1,790	\$1,969	\$2,118	\$2,242	\$2,452	\$15,666

* 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.