

**The Economic Effects on Michigan of the Universal Forest  
Products Eastern Division, Inc. Facility Location Decision**

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### Abstract

*Universal Forest Products Eastern Division, Inc. is considering purchasing and renovating four existing buildings consisting of a total of 204,500 square feet in Mottville Township (White Pigeon), Michigan at which it would consolidate two Indiana facilities for the manufacture of premier wood products and structural lumber used in do-it-yourself retail home centers, site-build construction, manufactured housing, and industrial/agricultural markets. The facility would employ an additional 105 people by 2005. We estimate that by 2012, this location will have generated a total of 159 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$4,640,000 (2002 dollars) due to the location of Universal Forest Products Eastern Division, Inc.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Universal Forest Products Eastern Division, Inc. purchasing and renovating four existing buildings consisting of a total of 204,500 square feet in Mottville Township (White Pigeon), Michigan at which it would consolidate two Indiana facilities for the manufacture of premier wood products and structural lumber used in do-it-yourself retail home centers, site-build construction, manufactured housing, and industrial/agricultural markets (SIC 2499). Investment activity would take place between 2003 and 2004, with an investment of \$3 million. The facility would employ an additional 105 people by 2005.

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 2003 to 2012, are shown in the attached table. The MEGA incentive package includes relief from 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 for the period 2003 to 2012.

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 4 jobs in 2003; almost all of these jobs are temporary. In 2005, the first year of full operations, an additional 182 jobs are generated in the state. We estimate that by 2012, this location will have generated a total of 159 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 2005 to 2012. 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 Universal Forest Products Eastern Division, Inc. were to locate in Michigan under the incentive program, state personal income in 2005 would be higher by \$9.5 million (in current dollars) than it would be without the facility, and in 2012 it would be \$11.3 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$6.9 million in 2005 and \$7.4 million in 2012.

The gain in economic activity results in higher state government revenues. We estimate that in 2005, the first year of full operations, the facility would generate \$760,000 in additional gross state government revenue, and that the MEGA package would provide a \$114,000 incentive to Universal Forest Products Eastern Division, Inc. Thus, the Universal Forest Products Eastern Division, Inc. facility location would increase state government revenues in 2005 by \$646,000, net of MEGA incentive costs.

Over the period 2003 to 2012, gross state government revenue is projected to increase by \$7,936,000 (in current dollars) due to the location of Universal Forest Products Eastern Division, Inc. The MEGA incentive package for Universal Forest Products Eastern Division, Inc. is forecast to cost \$1,231,000 over the period, resulting in a net increase in state government revenue of \$6,705,000. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2012 would be \$4,640,000 in 2002 dollars. These calculations do not include any revenue losses due to the Investment Tax Credit or the property tax abatement. If the costs of the tax credit or the tax 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 Universal Forest Products Eastern Division, Inc. Facility Location  
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2010	2012	Total 2003-2012
Total Employment	180	181	182	159	159	—
Manufacturing	105	109	111	106	107	—
Nonmanufacturing	75	72	71	53	52	—
Retail Trade	18	18	17	11	11	—
Services	25	23	21	11	12	—
Other	32	31	33	31	29	—
In current dollars (thousands):						
Personal income	7,600	8,700	9,500	10,700	11,300	99,200
Gross state revenue	608	696	760	856	904	7,936
MEGA cost	98	105	114	135	145	1,231
State revenue net of MEGA cost*	510	591	646	721	759	6,705
Adjusted for inflation (thousands of 2002 dollars):						
Personal income	5,956	6,590	6,903	7,146	7,440	68,649
Gross state revenue	477	527	552	572	595	5,492
MEGA cost	77	79	83	90	95	852
State revenue net of MEGA cost*	400	448	469	482	500	4,640

\*These estimates do not include any state government revenue losses due to the Investment Tax Credit or the property tax abatement.