

**The Economic Effects on Michigan of the
Visteon Corporation Location Decision**

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Abstract

Visteon Corporation is considering building a new corporate headquarters campus in Van Buren Township, Michigan. Approximately 3,500 of Visteon's current Michigan-based administrative and research and development personnel would be transferred to the new facility, and the facility would hire an additional 475 people by 2008. We estimate that by 2016, this location will have generated a total of 808 jobs in the state. Total state government revenues through 2016, net of MEGA costs and adjusted for inflation, would increase by \$50,504,000 (2001 dollars) due to the location of Visteon Corporation.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Visteon Corporation building a new corporate headquarters campus in Van Buren Township, Michigan (SIC 3363). Investment activity would take place between 2002 and 2004, with an investment of \$281 million. The facility would employ 475 additional people by 2008.

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 2002 to 2016, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2004 to 2016 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 construction activity is expected to generate a total of 438 jobs in 2002, 2,991 jobs in 2003, and 369 jobs in 2004; almost all of these jobs are temporary. We estimate that by 2008, the first year in which the new facility is at full capacity, this location will have generated a total of 846 additional jobs in the state. We estimate that by 2016, this location will have generated a total of 808 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 this location, excluding temporary construction jobs, averages 1.7 over the period 2008 to 2016. 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 Visteon Corporation were to locate in Michigan under the incentive program, state personal income in 2008 would be higher by \$87.1 million (in current dollars) than it would be

without the facility, and in 2016 it would be \$118.6 million higher. Adjusted for inflation, these numbers in 2001 dollars would be \$60.49 million in 2008 and \$70.77 in 2016.

The gain in economic activity results in higher state government revenues. We estimate that in 2008, the facility would generate \$6,968,000 in additional gross state government revenue, and that the MEGA package would provide a \$2,003,000 incentive to Visteon Corporation. Thus, the Visteon Corporation facility location would increase state government revenues in 2008 by \$4,965,000, net of MEGA incentive costs.

Over the period 2002 to 2016, gross state government revenue is projected to increase by \$101,632,000 (in current dollars) due to the location of Visteon Corporation. The MEGA incentive package for Visteon Corporation is forecast to cost \$24,559,000 over the period, resulting in a net increase in state government revenue of \$77,073,000. Adjusted for inflation, the total net increase in state government revenue from 2002 to 2016 would be \$50,504,000 in 2001 dollars. These calculations do not include any revenue losses due to the Investment Tax Credit. If the costs of the tax credit 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 Visteon Corporation Facility Location
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2002	2003	2004	2005	2006	2007	2008	2010	2015	2016	Total 2002-2016
Total Employment	438	2,991	508	197	379	612	846	823	804	808	—
Manufacturing	12	70	75	175	275	375	475	475	475	475	—
Nonmanufacturing	426	2,921	433	22	104	237	371	348	329	333	—
Retail Trade	47	313	59	22	60	100	141	140	140	141	—
Services	68	455	57	0	44	99	152	139	127	129	—
Other	311	2,153	317	0	0	38	78	69	62	63	—
In current dollars (thousands):											
Personal income	19,000	135,700	46,400	32,400	46,600	65,300	87,100	95,500	114,100	118,600	1,270,400
Gross state revenue	1,520	10,856	3,712	2,592	3,728	5,224	6,968	7,640	9,128	9,488	101,632
MEGA cost	0	0	275	664	1,080	1,525	2,003	2,156	2,601	2,699	24,559
State revenue net of MEGA cost*	1,520	10,856	3,437	1,928	2,648	3,699	4,965	5,484	6,527	6,789	77,073
Adjusted for inflation (thousands of 2001 dollars):											
Personal income	14,704	100,380	26,374	18,137	30,884	45,334	60,486	63,827	69,377	70,773	828,368
Gross state revenue	1,176	8,030	2,110	1,451	2,471	3,627	4,839	5,106	5,550	5,662	66,269
MEGA cost	0	0	156	372	716	1,059	1,391	1,441	1,581	1,610	15,765
State revenue net of MEGA cost*	1,176	8,030	1,954	1,079	1,755	2,568	3,448	3,665	3,969	4,052	50,504

*These estimates do not include any state government revenue losses due to the Investment Tax Credit.