

**The Economic Effects on Michigan of
the X-Rite, Incorporated, Facility Expansion Decision**

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Abstract

X-Rite, Incorporated, is considering an expansion of its headquarters, to be located in Kentwood, Michigan. The company's current headquarters campus in the Grand Rapids, Michigan, area is land-locked and is unsuitable to meet the expansion plans and long-term growth projections for the company. The facility would employ an additional 313 people by 2011. We estimate that by 2020, this expansion will have generated a total of 500 jobs in the state. Total state government revenues through 2020, net of MEGA costs and adjusted for inflation, would increase by \$30,607,000 (2005 dollars) due to the expansion of X-Rite, Incorporated.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan if X-Rite, Incorporated, expands its headquarters to a location in Kentwood, Michigan (SIC 3826). The company's current headquarters campus in the Grand Rapids, Michigan, area is land-locked and is unsuitable to meet the expansion plans and long-term growth projections for the company. Investment activity would take place between 2005 and 2009, with an investment of \$45 million. The facility would employ an additional 313 people by 2011.

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 2005 to 2020, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2007 to 2020 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 109 jobs in 2005 and 101 jobs in 2006; almost all of these jobs are temporary. In 2011, the first year of full operations, an additional 627 jobs are generated in the state. We estimate that by 2020, this expansion will have generated a total of 500 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 expansion averages 1.7 over the period 2011 to 2020. 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 X-Rite, Incorporated, were to expand its operations in Michigan under the incentive program, state personal income in 2011 would be higher by \$58.7 million (in current dollars) than it would be without the expansion, and in 2020 it would be \$75.6 million higher. Adjusted for inflation, these numbers in 2005 dollars would be \$42.6 million in 2011 and \$45.6 million in 2020.

The gain in economic activity results in higher state government revenues. We estimate that in 2011, the first year of full operations, the expanded facility would generate \$4,514,000 in additional gross state government revenue, and that the MEGA package would provide a \$1,112,000 incentive to X-Rite, Incorporated. Thus, the X-Rite, Incorporated, expansion would increase state government revenues in 2011 by \$3,402,000, net of MEGA incentive costs.

Over the period 2005 to 2020, gross state government revenue is projected to increase by \$60,989,000 (in current dollars) due to the expansion of X-Rite, Incorporated. The MEGA incentive package for X-Rite, Incorporated, is forecast to cost \$15,969,000 over the period, resulting in a net increase in state government revenue of \$45,020,000. Adjusted for inflation, the total net increase in state government revenue from 2005 to 2020 would be \$30,607,000 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 X-Rite, Incorporated, Facility Expansion
Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2005	2006	2007	2008	2009	2010	2011	2015	2020	Total 2005-2020
Total employment	109	101	177	289	398	506	627	527	500	—
Manufacturing	5	4	82	131	186	247	313	313	313	—
Nonmanufacturing	104	97	95	158	212	259	314	214	187	—
Retail trade	15	13	26	42	59	74	92	76	71	—
Services	16	13	44	71	96	118	143	96	83	—
Other	73	71	25	45	57	67	79	42	33	—
In current dollars (thousands):										
Personal income	5,200	5,600	13,300	22,500	33,100	44,700	58,700	65,500	75,600	793,100
Gross state revenue	400	431	1,023	1,730	2,545	3,438	4,514	5,037	5,814	60,989
MEGA cost	0	0	246	414	611	843	1,112	1,329	1,728	15,969
State revenue net of MEGA cost*	400	431	777	1,316	1,934	2,595	3,402	3,708	4,086	45,020
Adjusted for inflation (Thousands of 2005 dollars):										
Personal income	5,200	4,973	11,428	18,174	25,546	33,619	42,559	43,233	45,601	537,121
Gross state revenue	400	382	879	1,398	1,964	2,585	3,273	3,325	3,507	41,305
MEGA cost	0	0	211	334	471	634	806	877	1,042	10,698
State revenue net of MEGA cost**	400	382	668	1,064	1,493	1,951	2,467	2,448	2,465	30,607

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