

**The Economic Effects on Michigan of the  
Delfield Company Expansion**

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

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### Abstract

*Delfield Company is considering expanding their current facility in Mount Pleasant, Michigan. This expansion would allow the manufacture of small refrigeration units used in food preparation. The new facility would employ up to 219 people by the end of 2005. We estimate that by 2010, this location will have generated a total of 261 jobs in the state. Total state government revenues through 2010, net of MEGA costs and adjusted for inflation, would increase by \$4.35 million (2004 dollars) due to the location of the food preparation unit manufacturing facility.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Delfield Company expanding a manufacturing facility in Mt. Pleasant. Investment activity would take place between 2004 and 2005 with an investment of \$4.0 million. The facility would employ an additional 219 people and would be at full production in 2005.

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 2004 to 2010, 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 2004 to 2010.

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 2005, the first year of full operations, an additional 313 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 1.20 over the period 2004 to 2010. 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 Delfield Company were to expand in Michigan under the incentive program, state personal income in 2005 would be higher by \$12.36 million (in current dollars) than it would be without the expansion, and in 2010, it would be \$14.0 million higher. Adjusted for inflation, these numbers in 2004 dollars would be \$12.16 million in 2005 and \$12.75 million in 2010.

The gain in economic activity results in higher government revenues. We estimate that in 2005, the first year of full operations without investment activity, the expansion would

generate \$950,000 in additional gross state revenue, and that the MEGA package would provide a \$293,000 incentive to Delfield Company. Thus, the new Delfield Company expansion would increase state revenues in 2005 by \$659,000 million, net of MEGA costs.

Over the period 2004 to 2010 state government revenue is projected to increase by \$6.54 million (in current dollars) due to the Delfield Company expansion. The MEGA incentive package for Delfield Company is forecast to cost \$1.94 million over the period, resulting in a net increase in state government revenue of \$4.6 million. Adjusted for inflation, the total net increase in state government revenue from 2004 to 2010 would be \$4.35 million in 2004 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.

**The Delfield Company**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2004	2005	2006	2007	2008	2009	2010	Total
<b>Total Employment</b>								
Manufacturing	158	313	290	283	274	265	261	
Non-Manufacturing	85	169	165	164	163	162	162	
Retail Trade	73	144	125	119	111	103	99	
Services	18	36	32	30	28	26	25	
Other	30	60	52	50	47	44	43	
	25	48	41	39	36	33	31	
<b>In Current Dollars (Thousands):</b>								
Personal Income	\$5,737	\$12,360	\$12,540	\$13,120	\$13,460	\$13,670	\$14,070	\$84,957
Gross State Revenue	442	952	966	1,010	1,036	1,053	1,083	6,542
Mega Cost	143	293	293	293	293	307	322	1,944
State Revenue Net of MEGA Cost*	\$299	\$659	\$673	\$717	\$743	\$746	\$761	\$4,598
<b>Adjusted for Inflation (Thousands of 2004 Dollars):</b>								
Personal Income	\$5,737	\$12,163	\$12,141	\$12,495	\$12,607	\$12,591	\$12,745	\$80,479
Gross State Revenue	442	937	935	962	970	970	981	6,197
Mega Cost	143	288	284	279	274	283	292	1,843
State Revenue Net of MEGA Cost*	\$299	\$649	\$651	\$683	\$696	\$687	\$689	\$4,354

\* 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.