

**The Economic Effects on Michigan of the  
DELMIA Corporation**

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

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### Abstract

*DELMIA Corporation is considering expanding its existing facility in Troy, Michigan. This facility would provide assembly, ergonomics, robotics, NC machining, inspection simulation and process verification software. The new facility would employ up to 111 people by the end of 2005. We estimate that by 2012, this location will have generated a total of 328 jobs in the state. Total state government revenues through 2012, net of MEGA costs and adjusted for inflation, would increase by \$14.7 million (2002 dollars) due to the expansion of the DELMIA Corporation.*

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of DELMIA Corporation expanding in Troy. Investment activity would take place between 2003 and 2005 with an investment of 10.6 million. The facility would employ an additional 111 people and would be at full production by 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 2003 to 2012, are shown in the attached table. The MEGA incentive package includes a tax credit to the company for the period 2003 to 2012 equal to 75 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 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 387 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 2.92 over the period 2003 to 2012. 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 DELMIA Corporation were to expand in Michigan under the incentive program, state personal income in 2005 would be higher by \$22.9 million (in current dollars) than it would be without the facility, and in 2012, it would be \$30 million higher. Adjusted for inflation, these numbers in 2002 dollars would be \$21.5 million in 2005 and \$24.4 million in 2012.

The gain in economic activity results in higher government revenues. We estimate that in 2006, the first year of full operations without investment activity, the facility would generate \$1.9 million in additional gross state revenue, and that the MEGA package would provide a \$232,000 incentive to DELMIA Corporation. Thus, the new DELMIA Corporation expansion would increase state revenues in 2006 by \$1.7 million, net of MEGA costs.

Over the period 2003 to 2012 state government revenue is projected to increase by \$18.9 million (in current dollars) due to the new DELMIA Corporation expansion. The MEGA incentive package for DELMIA Corporation is forecast to cost \$2.3 million over the period, resulting in a net increase in state government revenue of \$16.7 million. Adjusted for inflation, the total net increase in state government revenue from 2003 to 2012 would be \$14.7 million in 2002 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.

**DELMIA Corporation**  
**Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package**

Economic/Fiscal Indicator	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Total
Total Employment	161	271	387	374	359	347	345	336	330	328	\$236,727
Manufacturing	52	94	133	128	123	119	117	116	115	114	18,938
Non-Manufacturing	109	177	254	246	236	228	228	220	215	214	2,265
Retail Trade	20	34	48	46	44	41	41	39	38	38	
Services	42	77	112	110	107	106	108	105	104	105	
Other	47	66	94	90	85	81	79	76	73	71	
In Current Dollars (Thousands):											
Personal Income	\$8,057	\$14,980	\$22,890	\$24,380	\$25,420	\$26,250	\$27,470	\$28,230	\$29,020	\$30,030	\$236,727
Gross State Revenue	645	1,198	1,831	1,950	2,034	2,100	2,198	2,258	2,322	2,402	18,938
Mega Cost	78	149	223	232	240	249	258	268	278	289	2,265
State Revenue Net of MEGA Cost*	\$567	\$1,049	\$1,608	\$1,718	\$1,794	\$1,851	\$1,940	\$1,990	\$2,044	\$2,113	\$16,673
Adjusted for Inflation (Thousands of 2002 Dollars):											
Personal Income	\$7,903	\$14,405	\$21,579	\$22,534	\$23,035	\$23,324	\$23,900	\$24,027	\$24,156	\$24,440	\$209,303
Gross State Revenue	633	1,152	1,726	1,802	1,843	1,866	1,912	1,922	1,933	1,955	16,744
Mega Cost	77	143	210	214	218	221	225	228	232	235	2,003
State Revenue Net of MEGA Cost*	\$556	\$1,009	\$1,516	\$1,588	\$1,625	\$1,645	\$1,687	\$1,694	\$1,701	\$1,720	\$14,741

\* 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.