

**The Economic Effects on Michigan of the
Integrity Design Facility**

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

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Abstract

Integrity Design Incorporated is considering building a design office in St. Joseph, Michigan. Integrity Design is a mechanical engineering and design firm specializing in automated assembly machine design, resistance and mig welding design and engineering for tooling fixtures and gauges for advanced manufacturing companies. The new facility would employ up to 28 people by the end of 2005. We estimate that by 2005, this location will have generated a total of 46 jobs in the state. Total state government revenues through 2005, net of MEGA costs and adjusted for inflation, would increase by \$577,000 (2001 dollars) due to the location of the Integrity Design Facility.

The purpose of this study is to estimate the potential economic and fiscal benefits to Michigan of Integrity Design Incorporated locating a design office in St. Joseph. Investment activity would take place between 2001 and 2005, with an investment of \$575,000. The facility would employ an additional 28 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 2001 to 2005, 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 2001 to 2002, 75 percent for employees hired in 2003, and 50 percent for employees hired from 2004 to 2005.

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 46 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 1.21 over the period 2001 to 2005. 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 Integrity Design Incorporated were to locate in Michigan under the incentive program, state personal income in 2005 would be \$3 million higher. Adjusted for inflation, state personal income in 2005 would be \$2.7 million higher.

The gain in economic activity results in higher government revenues. We estimate that in 2005 the facility would generate \$237,000 in additional gross state revenue, and that the MEGA package would provide a \$37,000 incentive to Integrity Design Incorporated. Thus, the new Integrity Design Incorporated facility would increase state revenues in 2005 by \$200,000, net of MEGA costs.

Over the period 2001 to 2005, state government revenue is projected to increase by \$781,000 (in current dollars) due to the new Integrity Design Incorporated facility. The MEGA incentive package for Integrity Design Incorporated is forecast to cost \$167,000 over the period, resulting in a net increase in state government revenue of \$614,000. Adjusted for inflation, the total net increase in state government revenue from 2001 to 2005 would be \$577,000 in 2001 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.

Integrity Design, Inc.
Economic and Fiscal Effects on Michigan - Net Benefits with the Incentive Package

Economic/Fiscal Indicator	2001	2002	2003	2004	2005	Total
Total Employment	20	31	33	42	46	
Manufacturing	0	0	0	-1	-1	
Non-Manufacturing	20	31	33	43	47	
Retail Trade	2	3	3	5	4	
Services	15	23	26	34	37	
Other	3	5	4	4	6	
In Current Dollars (Thousands):						
Personal Income	\$916	\$1,526	\$1,892	\$2,472	\$2,960	\$9,766
Gross State Revenue	73	122	151	198	237	781
Mega Cost	24	39	36	32	37	167
State Revenue Net of MEGA Cost*	\$49	\$83	\$115	\$166	\$200	\$614
Adjusted for Inflation (Thousands of 2001 Dollars):						
Personal Income	\$916	\$1,491	\$1,805	\$2,305	\$2,698	\$9,215
Gross State Revenue	73	119	144	185	216	737
Mega Cost	24	38	34	30	34	160
State Revenue Net of MEGA Cost*	\$49	\$81	\$110	\$155	\$182	\$577

* 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.