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## The Economic Impact of Cornerstone Alliance on Berrien County

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## **Executive Summary**

Cornerstone Alliance has had a major economic impact on Berrien County. It is the findings of this report that

- Cornerstone Alliance played a crucial and necessary role in attracting seven new companies and persuading two existing companies to expand in Berrien County. The successful completion of these nine economic development projects created 1,021 direct jobs in the greater Benton Harbor/St. Joseph area.
- Seven of the nine projects included significant investment expenditures as well. In total, \$35 million was invested on new construction or refurbishing existing structures and \$54 million was spent on equipment, machinery, office furniture and partitions. In addition, Cornerstone Alliance was successful in attracting \$18.8 million in new public infrastructure investment - roads, water, and sewer. In all, an estimated 768 year-round jobs, including 550 on-site construction jobs, were created in Berrien County due to this \$108 million in private and public investment spending. During the construction phase of these seven projects, wage and salaries created in the county rose by an estimated \$29.1 million.
- In total, the completion of all nine projects created an estimated 1,566 jobs in Berrien County. For every 10 jobs generated by the ongoing operations of these nine companies, we estimate that another 5 jobs have been created in the county.
- In total, wage and salary income in the county has increased by \$68.8 million due to these nine economic development projects. For every dollar of earnings generated at the nine companies, another \$0.67 in wages and salaries is generated in the county.

## **Introduction:**

This report presents an assessment of the economic impact of the Cornerstone Alliance's economic development activities on Berrien County. Cornerstone Alliance is an economic development organization whose mission is to promote economic growth and civic development

in the cities of Benton Harbor and St. Joseph and the charter townships of Benton, St. Joseph, Lincoln, and Royalton in Berrien County.

The estimation of Cornerstone Alliance's economic impact on Berrien County is not an easy task for two major reasons. First, an effective economic development program depends upon the development of effective and productive partnerships among area stakeholders. Local governments, local education, area businesses, and community organizations all play important roles in improving an area's economic performance and in enhancing the economic well-being of its residents. It is very difficult to isolate the impact of just one group, even if it is the lead agency, when final success depends on all.

The second challenge in determining the impact of an economic development effort is to identify only those projects where **if not for the organization's efforts**, the development would not have occurred. Local economic development organizations are often accused of "shooting at anything that flies and taking credit for everything that lands." There is certainly some truth to this accusation, but it falls far short of describing the role of an effective economic development organization in defining the economic development environment of its community. Success breeds success, and it is vital for any economic development organization to promote the community successes. Cornerstone Alliance can rightfully boast of the following community achievements that have occurred during the past five years:

- The creation of 2,025 new jobs.
- An increase of more than 33 percent in the local property tax base.
- The acquisition of more than \$5.2 million in grant funds for projects in the past two years.
- The attraction of \$106 million in new investment in the community.
- The demolition of more than \$1.85 million in blighted properties in the area.
- The enrollment of more than 1,200 sixth graders in the On Location program, an innovative program that introduces sixth graders to the world of work.
- The development of the Benton Harbor Arts District.
- The investment of over \$400,000 in the past three years in the Benton Harbor Workforce Skills Development Center.

Yet, the staff at Cornerstone Alliance would be the first to agree that these achievements cannot be solely attributed to its efforts; each required strong and effective partnerships with other organizations and area stakeholders. It is nearly impossible to determine what portion of these successes would not have happened without the involvement of Cornerstone Alliance.

The first step in preparing an economic impact statement for Cornerstone Alliance is to identify the projects which would not have happened without its efforts.

### **Identification of Cornerstone Alliance's Direct Impact**

The Cornerstone Alliance, like all economic development organizations, carries out a multitude of tasks and activities to promote the economic development of its service area. Offering tax incentives, visiting existing businesses, assisting small businesses, gathering business and demographic information, writing infrastructure grant proposals and networking are just some of the activities the Cornerstone Alliance staff perform every month. Some of these services do not lead to the generation of new jobs. Cornerstone Alliance, like all economic development organizations, has “lost” projects to competing communities or has worked with local entrepreneurs who decided, often wisely, not to open a business. In addition, Cornerstone Alliance, again like all economic development organizations, has helped firms that would have expanded or moved into the area without its assistance.

Working with Cornerstone Alliance staff, we identified the nine projects shown in Table 1 that most likely would not have come to fruition without the assistance of Cornerstone Alliance. Tax incentives made available through the area’s Renaissance Zone were important factors in several of these projects, but seldom the deciding factor. Instead, the timely and expert assistance provided by the Cornerstone Alliance staff made the difference.

**Table 1**

<b>Company</b>	<b>Cornerstone Alliance Assistance</b>	<b>Direct Jobs</b>
Atlantic Automotive	Building construction; tax incentives; assist with environment regulations.	200
Bowater Nuway	Tax incentives, business assistance.	75
Edgewater Automation LLC	Building construction, tax incentives.	46
Greentree Composite	Site preparation (rail), grant writing.	70
Integrity Design	Tax incentives.	20
IPC Communications	Information gathering, linking area resources.	106
Modar	Information gathering, linking area resources.	75
WAVE	Tax incentives, information gathering.	75
Whirlpool Corporation - Cook Products Development Center	Tax incentives, information gathering.	354
	<b>Total:</b>	<b>1,021</b>

## **Total Economic Impact**

The total economic impact of these nine projects on Berrien County is much greater than simply the number of jobs generated at the individual companies. First, many jobs were created during the construction phase of these projects. More importantly, once in full operation, these nine companies generated additional employment and payroll by:

- Providing new orders for their suppliers located within the county's boundaries.
- Generating new business for retailers and consumer service providers through the consumers' expenditures of their employees.

Moreover, the community spending cycle does not stop there. New business is generated for the companies located in the county which provide goods and services to these companies' suppliers. Furthermore, additional rounds of expenditures occur in the county as the money spent by the companies' employees are recirculated throughout the county's economy.

The W.E. Upjohn Institute maintains an economic impact computer model which is especially designed to estimate the full economic impact of changes in business activity within Berrien County. The model was built for the Institute by Regional Economic Models Incorporated (REMI) of Amherst, Massachusetts. The model is, in fact, three interconnected modules:

- An input-output module that estimates the industrial linkages among the county's and state's businesses and measures the impact of consumer expenditures on the county's and state's retailers and consumer services providers.
- A relative cost module that estimates the impact on the county's and state's wages and prices of employment changes in the economy.
- A forecasting module.

The full impact of the nine economic development projects is measured by taking the difference between two separate forecasts for the county. The first forecast is a status quo forecast for the county that includes the impact of these projects, while the alternative forecast estimates the lower level of economic activity that would have occurred in the county if these projects did not come to fruition.

### *Construction Phase*

Seven of the nine projects included in this analysis involved new construction or the refurbishing of older structures. In addition, Cornerstone Alliance was instrumental in

attracting federal grants to help pay for the construction of needed public infrastructural improvements necessary to support several of these projects. As shown in Table 2, we estimate that 550 year-round jobs were created during the construction phase of

<b>Table 2</b>			
<b>Construction and Investment Impact</b>			
<b>Year-Round Jobs</b>			
	Direct	Indirect	Total
Atlantic Automotive	52	17	69
Bowater Nuway	107	40	147
Edgewater Automation LLC	14	5	19
Greentree Composites	6	3	9
Integrity Design	5	2	7
IPC Communications	0		
Modar	0		
WAVE	42	15	57
Whirlpool Corporation	150	54	204
Highway construction	157	74	231
Water and sewer construction	17	8	25
<b>Total</b>	<b>550</b>	<b>218</b>	<b>768</b>

these projects. A year-round job is defined as twelve months of employment for “one person” in one full-time position or a series of part-time posts. For example, a construction project that lasted 3 months and employed 120 workers would have generated 30 year-round jobs.

An additional 218 jobs were created in the county to meet the consumption expenditures of construction workers on the work sites, as well as, the increased business at the county’s construction supply firms. In total, we estimate that \$29.2 million in wages and salaries was generated in the county during this phase.

### *Operational Phase*

In total, we estimate that 1,566 jobs were created in Berrien County due to the ongoing operation of these nine companies, as shown in Table 3. This estimate of year-round jobs includes both full-time and part-time jobs. In regional impact studies, an employment multiplier is often used as a standard indicator of a project's impact on its community. The multiplier is calculated by dividing the project's total impact, in this case 1,566 jobs, by its direct impact, 1,021 jobs. In this instance, the employment multiplier is 1.5, which means that every worker employed by the nine companies generates, on average, 1.5 additional jobs in Berrien County.

In order to better understand the impact of these nine economic development projects on the Berrien County economy, we provide in Table 4 an industrial breakdown of the created direct and indirect jobs. It should be noted, that although Whirlpool is a global manufacturer of

appliances, its Cook Products Development Center is better described as a research and development activity and is classified under services. The same holds true for Integrity Design. We estimate that five additional manufacturing jobs have been generated in the county due to the nine economic development projects. In durable goods production, we estimate one job was, in fact, lost in the county due to the increase in wages and production costs due to the increased

<b>Table 3</b> <b>Full Employment Impact on Berrien County</b> <b>Operational Impact</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Atlantic Automotive	200	123	323
Bowater Nuway	75	40	115
Edgewater Automation LLC	46	32	78
Greentree Composites	70	32	102
Integrity Design	20	12	32
IPC Communications	106	49	155
Modar	75	46	121
WAVE	75	39	114
Whirlpool Corporation	354	172	526
<b>Total</b>	<b>1,021</b>	<b>545</b>	<b>1,566</b>

<b>Table 4</b> <b>Employment Impact by Industry Sector</b>			
	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Manufacturing	647	5	652
Durables good production	396	-1	395
Non-Durables production	251	6	257
Non-Manufacturing	374	513	887
Mining		0	0
Construction		67	67
Trans., Comm. & Pub. Utilities		20	20
Finance, Ins. & Real Est		32	32
Retail Trade		173	173
Wholesale Trade		23	23
Services*	374	195	569
Agri&For&Fish Serv		3	3
Total Government		27	27
<b>Total Employment</b>	<b>1,021</b>	<b>545</b>	<b>1,566</b>
*Whirlpool employment and Integrity Design			

demand on area resources caused by the nine companies. Not surprisingly, most of the new indirect jobs generated in the county due to the nine companies are in retail trade, 173 jobs, and



services, 195 jobs. Most of these jobs were created by retailers and personal services as these sectors expanded to meet the needs of the new workers at the nine companies.

Finally, as shown in Table 5, the nine economic development projects generated an estimated \$41.2 million in wages and salaries in the county, directly. The total impact of the projects on county-wide wages and salaries is estimated to have reached \$68.8 million. This estimate includes the wages and salaries generated in the area's expanded retail and consumer services sector, as well as, the increased hires in the projects' enlarged county suppliers network. The relatively small size of the indirect impact of Whirlpool's Cook Products Development Center, \$6.3 million, reflects the fact that Center is estimated to have a very small county-wide supplier base. For every dollar in wages and salaries paid at the nine impacted companies another \$0.67 in wages and salaries are generated in the county.

	<b>Direct</b>	<b>Indirect</b>	<b>Total</b>
Atlantic Automotive	\$5,824	\$5,826	\$11,650
Bowater Nuway	2,184	2,863	5,047
Edgewater Automation LLC	1,610	1,202	2,812
Greentree Composites	1,893	2,230	4,123
Integrity Design	1,040	624	1,664
IPC Communications	3,875	3,231	7,106
Modar	1,950	2,532	4,482
WAVE	1,950	2,774	4,724
Whirlpool Corporation	20,838	6,342	27,180
<b>Total</b>	<b>\$41,164</b>	<b>\$27,624</b>	<b>\$68,788</b>

## Conclusions

This analysis provides a reasonable estimate of the economic development of the nine projects which would not have occurred without the active involvement of Cornerstone Alliance. Nevertheless, it is my opinion that this analysis underestimates the overall economic impact of Cornerstone Alliance's activities in Berrien County. In this highly competitive environment, it is almost mandatory for a community the size of the greater Benton Harbor/St. Joseph area to have an economic development organization. Without Cornerstone Alliance, this area would be effectively telling the business community that it is neither interested in growth nor in nurturing a more productive business environment. Unbeknownst to the staff of Cornerstone Alliance, it is very likely that business location decisions by county firms being made annually are based, in part, on the positive business climate that the economic development organization has helped to nurture. Of course, there is no way to quantify this impact, but it is wrong to ignore it.