



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

300 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER  
ASSISTANCE CENTER  
517 373 9808

WWW.THEMEDC.ORG

DATE: September 23, 2008  
TO: Michigan Economic Growth Authority  
FROM: Val Hoag, Director *VH*  
Portfolio Management & Packaging

Steve Haakenson, Project Manager  
Portfolio Management & Packaging

SUBJECT: Briefing Memo – General Motors Corporation  
Retention Credit &  
Brownfield Redevelopment MBT Tax Credit

COMPANY NAME:

General Motors Corporation  
200 Renaissance Center  
MC 482 B38 C96  
Detroit, MI 48265

HISTORY OF COMPANY:

General Motors Corporation (GM), founded in 1908, manufactures and markets automobiles, automotive systems, engines, heavy-duty automatic transmissions and component parts worldwide. GM is headquartered in Detroit and employs about 284,000 people globally with manufacturing operations in 33 countries.

PROJECT DESCRIPTION:

GM is evaluating its overall product portfolio as it relates to the new Volt and other vehicle platforms. As part of the evaluation, GM is developing a business case for evaluating the best location for the development and production of these vehicles as well as other advanced energy and conventional fuel vehicles and their components.

The proposed project locations in Michigan are:

- **Detroit-Hamtramck** assembly plant
- New construction on a Brownfield site in **Flint** for a 530,000 square foot engine plant
- **Pontiac** Metal Center for stamping newer energy efficient vehicles
- **Bay City** Components Plant for components work associated with the proposed new engine program
- GM Technical Center in **Warren** for the battery research facility to develop the battery-based technology.

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Pepper Hamilton LLP

DENNIS R. TOFFOLO  
Oakland County

PETER S. WALTERS  
Guardian Industries Corp.

TODD A. WYETT  
Versa Development, LLC

The project will require total investment of approximately \$838 million for expansions at the existing facilities and new construction of a Flint engine plant.

This will retain a total 3,723 jobs at these locations (Detroit-2500, Flint-450, Pontiac-60, Bay City-101, Warren-612). The Average Weekly Wage is estimated at \$960. The company will also offer health care benefits and pay a portion of the benefit costs.

#### **BENEFITS TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will retain a total of 14,380 jobs in the state by the year 2023. We also estimate that the project would maintain total state government revenues through the year 2023, net of MEGA cost and adjusted for inflation, of \$644.4 million (2008 dollars) due to the retention of these jobs.

#### **BUSINESS CASE:**

This project is a significant investment for GM to undertake in order for them to compete in the future of automotive vehicles. Many other North American locations are being considered for these investments. Due to labor issues and competitive issues, GM is not able to disclose those other locations.

#### **OTHER LOCAL INCENTIVES:**

This project has received further local incentives from the City of Flint – PA198 with an estimated value of \$8 million; Pontiac – PA 328 with an estimated value of \$3 million; and Bay City – PA 328 for a 50 year abatement provided last year.

#### **BROWNFIELD PROJECT ELIGIBILITY:**

The project is located within the boundaries of the City of Flint, a qualified local governmental unit, and has been deemed a facility as verified by the Department of Environmental Quality. The property is the subject of a Brownfield plan, duly approved by the City of Flint on August 25, 2008.

#### **ANALYSIS:**

Brownfield MBT Credits are based on several criteria outlined in the statute. These are discussed below.

##### **a) The overall benefit to the public:**

Development of the site for a new Powertrain Engine Plant will retain 300 high paying jobs in the City of Flint and help support the economic stability for the area. Land that otherwise would not have been easily usable will now be developed with a resultant building, adding over \$6.4 million in local tax reviews.

##### **b) The extent of reuse of vacant buildings and redevelopment of blighted property:**

The project will not result in the reuse of vacant buildings or redevelopment of functionally obsolete or blighted property.

**c) Creation of jobs:**

The investment will result in the retention of approximately 450 full-time employees, with an average wage of approximately \$24.00 per hour.

**d) Whether the eligible property is an area of high unemployment:**

The County of Genesee had an unadjusted unemployment rate of 12.3% in July 2008. This compares to the statewide seasonally adjusted average of 8.5% in July 2008.

**e) The level and extent of contamination alleviated by the qualified taxpayer's eligible investment to the extent known to the qualified taxpayer:**

GM is diligently pursuing response activities necessary to achieve cleanup as required under Part 201 of Act 451 and RCRA. As a result of this proposed project, the following additional activities will be required: 1. revisions to the existing LNAPL / groundwater collection and treatment system; 2. revisions to the existing long term monitoring system; 3. removal, transportation, and off-site disposal of concrete and soil; and 4. environmental engineering oversight. These additional activities are currently estimated at \$2.5 million and will be conducted by GM without any request for reimbursement.

**f) The level of private sector contribution:**

The company is investing approximately \$326 million in this project.

**g) The cost gap that exists between the site and a similar greenfield site as determined by the Michigan Economic Growth Authority:**

The company will incur costs estimated at \$2.5 million for due care and cleanup activities required under Part 201.

**h) If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a brownfield:**

No other Brownfield site will be created as a result of this project.

**i) Whether the project of the developer, landowner, or corporate entity is financially and economically sound:**

A financial review was conducted by staff and confirms that this company has the financial wherewithal to take on this project and that the project is economically sound. The company will be paying for the project with cash currently available on hand.

**j) Any other criteria that the Michigan Economic Growth Authority considers appropriate for the determination of eligibility:**

This project is part of a larger project which the MEDC is providing additional MEGA tax credit incentives. The larger project will be retaining an estimated 3,723 jobs for General Motors at five separate locations in the State of Michigan.

**OTHER STATE AND LOCAL ASSISTANCE:**

The City of Flint has approved a PA 198 Real Property Tax Abatement, estimated at \$8 million over 15 years (3 years construction + 12 year abatement period).

**ELIGIBLE INVESTMENT BREAKDOWN:**

The eligible investment to be undertaken by General Motors includes:

Site Improvements	\$ 9,400,000
New Construction	\$ 81,600,000
Renovation & Improvement of Buildings	\$ 8,000,000
Addition of Machinery & Equipment	<u>\$ 227,000,000</u>
<b>TOTAL</b>	<b>\$ 326,000,000</b>

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for fifteen years, for up to 3,723 retained employees included in the project. In order to collect any tax credits, the company must retain a minimum of 2,000 qualified full-time jobs as part of the company's current employment base of 21,718 jobs located at the five locations involved with this project; and must retain a minimum of 250 qualified full-time jobs at the Warren Technical Center as part of the company's current employment base of 18,000 jobs located at the Warren Technical Center.

Additionally, the Brownfield Redevelopment staff recommends approval of a MEGA MBT Brownfield Redevelopment Credit of 12.5% of the eligible investment, not to exceed a \$10,000,000 credit.

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**b) The extent of reuse of vacant buildings and redevelopment of blighted property:**

The project will not result in the reuse of vacant buildings or redevelopment of functionally obsolete or blighted property.

**c) Creation of jobs:**

The investment will result in the retention of approximately 300 full-time employees, with an average wage of approximately \$24.50 per hour.

**d) Whether the eligible property is an area of high unemployment:**

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