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MEMORANDUM

DATE: December 3, 1999

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President -
Michigan Business Development

SUBJECT: Briefing Memo - Chrysler Financial Company LLC

COMPANY NAME:

Chrysler Financial Company LLC
27777 Franklin Road
Southfield, Michigan 48034

HISTORY OF COMPANY:

Chrysler Financial Company was incorporated in 1964 as a wholly owned subsidiary of Chrysler Corporation. Chrysler Financial is one of the largest automotive finance companies in North America and is the major source of wholesale financing and retail installment financing for Chrysler and Mercedes-Benz dealers and their customers. Chrysler Financial also provides these services to non-Chrysler and non-Mercedes dealers.

PROJECT DESCRIPTION:

Shortly after the merger of Daimler-Benz AG and Chrysler Corporation, Chrysler Financial Company began integration of operations with Mercedes-Benz Credit Corporation. The combined company is headquartered in Southfield, Michigan and has over 4,200 employees throughout North America and Mexico. The merger of Chrysler Financial and Mercedes-Benz Credit corporations has created the need for a new, larger facility for the headquarters operation. A relocation of the company's headquarters is required to accommodate the staff necessary to centralize the operations and obtain full benefits of merger synergies.

Plans are to build a 360,000 square foot facility on 24 acres of land. Total investment is anticipated at \$63 million for land and building and \$14 million for machinery and equipment. If located in Michigan, the

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project would require the transfer of 550 jobs from other states and the creation of an additional 744 new jobs, for a total Michigan net new job count of 1,294. These jobs would pay an average weekly wage of \$1,240 (\$31 per hour) as well as provide a benefit package valued at 25 percent of wages.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 3,514 jobs in the state by the year 2018. Total state government revenues through the year 2018, net of MEGA costs, and adjusted for inflation, would be increased by \$599,391,000 (1999 dollars) due to the presence of the Chrysler Financial Company's facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis to determine the feasibility of consolidating its facilities. Sites under consideration for this consolidation are Auburn Hills, Michigan, New York City or Norwalk, Connecticut. Another alternative is to not consolidate and leave the offices of the company where they are now located. Based on figures obtained from the company, the cost disadvantage for Chrysler Financial Company, to establish its facility in Auburn Hills, Michigan, ranges from approximately \$500,000 to \$2,000,000 annually over the term of the incentive. The cost differential is primarily attributable to sales and use tax and property tax increases to the company as a result of the project. Also, it is estimated that the company would have to pay an estimated \$22 million in employee relocation or buy-out costs. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differentials.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide Chrysler Financial Company with Economic Development Job Training funds at \$500 for up to 1,294 net new employees for a total of up to \$647,000.

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The city of Auburn Hills, through its Local Development Finance Authority, will provide extensive road improvements to the surrounding area and provide access to the proposed site. The estimated cost of these improvements is \$2.9 million. State law does not allow local property tax abatement for this project because Chrysler Financial Company is not a manufacturing firm.

BUT FOR:

Without the assistance offered by the MEGA program, Chrysler Financial Company would not build a new headquarters in Michigan for the following reasons:

1. The cost of this project to the company exceeds \$100 million of additional expenses over and above those currently being paid by the company. While a new corporate headquarters facility is highly desirable and preferred by the company, cost considerations will be an important determining factor in having this project move forward, especially in Michigan.
2. The additional tax consequences of putting this facility in Michigan exceed \$2 million per year by the third year, making a decision to put the facility here difficult to justify.

Despite these factors, Chrysler Financial Company would like to locate this facility close to the DaimlerChrysler Corporation North American Headquarters in Auburn Hills in order to fully enjoy synergies of being located near other corporate staff. Mercedes-Benz Credit Corporation, however, is headquartered in New York and some of the DaimlerChrysler Board members feel New York would be a better site for this facility. It should be noted that this is the first project involving a real merger of the functions of Chrysler Corporation and Daimler-Benz. If the experience goes well in Michigan, the state might capture other merger-related projects in the future.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 75 percent for a period of 19 years for up to 1,294 net new jobs.