



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: February 15, 2005
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President Michigan Business Development
SUBJECT: Briefing Memo - DaimlerChrysler Corporation - Sterling Heights Retention Credit

COMPANY NAME AND ADDRESS:

DaimlerChrysler Corporation
1000 Chrysler Drive
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

DaimlerChrysler Corporation is a wholly-owned subsidiary of DaimlerChrysler AG. The company develops, manufactures, distributes and sells a wide range of automotive products, mainly passenger cars, light trucks and commercial vehicles.

DaimlerChrysler currently has operations in Sterling Heights, Michigan for the stamping and assembly of the Chrysler Sebring and Dodge Stratus passenger cars. In total, those operations employ 5,123 workers.

PROJECT DESCRIPTION:

DaimlerChrysler needs to select a location to manufacture vehicles that will be the successor to the current Sebring and Stratus models. The company performed several feasibility analyses of location alternatives for this product throughout the United States and Mexico and has determined that Sterling Heights should be strongly considered for the continuation of this program. The project would lead to the retention of up to 5,123 positions at the Sterling Heights facilities and the retained jobs would pay an average weekly wage of \$926, with a generous benefit package.

The project would require an investment of \$506.8 million, including \$282.3 million for new machinery and equipment and \$224.5 million for special tooling. It is anticipated that capital expenditures would begin this year, with production initially targeted for late summer 2006.

30 N. WASHINGTON SQ.
ANSING, MI 48913

CUSTOMER
CONTACT CENTER
17 373 9808

WWW.MICHIGAN.ORG

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software, we estimate that this facility will retain a total of 20,782 jobs in the state by the year 2011. We also estimate that the project would maintain total state government revenues through the year 2011, net of MEGA cost and adjusted for inflation, of \$486.9 million (2005 dollars) due to the retention of this facility.

BUT FOR:

DaimlerChrysler performed a comprehensive analysis of potential facilities where production of the successor product to the Sebring and Stratus product could be performed. Sites for this production were considered throughout the United States and Mexico. The most viable alternative sites provided advantages to DaimlerChrysler in two main areas, personal property taxes and utilities. The strongest alternative site does not have personal property taxes saving the company significant dollars over the life of the project. In addition, that location would provide significant utility savings to DaimlerChrysler.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500,000 for the retention of the jobs in Sterling Heights. In addition, the State of Michigan will offer 50 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. The value of this abatement is estimated at \$2.6 million.

The City of Sterling Heights has proposed a 50 percent abatement of the company's new personal property taxes for 12 years at the assembly facility and for at least 9 years at the stamping facility. The tax abatement has an estimated value of \$18.0 million. The tax abatement is expected to be approved by April 5, 2005.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 40 percent retention employment credit for five years, for the retention of up to 5,123 jobs.