



## MEMORANDUM

**DATE:** November 3, 2000

**TO:** Michigan Economic Growth Authority

**FROM:** James Donaldson, Vice President  
Michigan Business Development

*MP for Jim Donaldson*

**SUBJECT:** Briefing Memo – Ford Rouge Center Redevelopment

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### PROJECT NAME AND ADDRESS:

Ford Motor Company  
One American Road  
Dearborn, Michigan 48126

### PROJECT PARAMETERS:

#### HISTORY OF COMPANY:

Ford Motor Company was founded in 1903 to produce and sell automobiles designed and engineered by Henry Ford. Ford is the world's largest producer of trucks and the second largest automotive manufacturer. Ford sells vehicles in more than 200 countries around the world and has manufacturing facilities on six continents. In 1999, the company sold 7.2 million vehicles, and employed nearly 400,000 people worldwide.

#### DESCRIPTION OF PROJECT:

Ford Motor Company will redevelop its Rouge Center complex in Dearborn. Activities include construction of a new assembly plant composed of body shop and final assembly facilities. This assembly plant is part of a larger \$1 billion renovation and expansion project for the Rouge Center. This total renovation will allow the company to retain at least 2,900 jobs at the facility and up to 3,800 jobs should product volume warrant a third shift. Average weekly wage is expected to be \$1,001 with a comprehensive benefits package. Ford is also considering another North American location for this facility.

**PUBLIC BENEFIT:**

The project will replace an obsolete facility with a state of the art manufacturing facility. The project will insure retention of at least 2900 jobs. Care will be taken in the demolition of the obsolete glass plant to preserve the historically significant façade. A visitor's center will be established on the site from which tours will be conducted of the new assembly plant.

In addition, according to the economic analysis done by the University of Michigan, we estimate this facility will retain a total of 16,448 jobs in the state by the year 2022. Total state government revenue retained, adjusted for inflation, is \$1,315,252,000 through the year 2022, due to the Ford project.

This economic analysis takes into account the fiscal effects of both the brownfield tax credit and the MEGA benefits offered to the company.

**COST GAP ANALYSIS:**

The company has provided a cost gap analysis for the Rouge Center project as a whole. Based on figures obtained from the company, the cost disadvantage for Ford to undertake the project in Michigan rather than another North American site is approximately \$16 million annually over the term of the incentive. The most significant factor in this differential is tax cost which is approximately \$23 million per year due to greater corporate and personal property taxes in Michigan. Some of this differential is offset by transportation costs that are nearly \$8 million less for a Michigan plant location.

**OTHER STATE AND LOCAL ASSISTANCE:**

The State of Michigan has offered an Economic Development Job Training grant of up to \$3.8 million to the company. In addition, the state of Michigan will provide grant funding of up to \$5 million for a Michigan Technical Education Center at or near

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the Rouge Center. The state will also offer a 100 percent abatement of the 6-mill State Education Tax for the same term as the local property tax abatement. This abatement is estimated to be worth over \$9 million. The local tax abatement offer by the City of Dearborn could be worth up to \$66 million over twelve years.

**BUT FOR:**

Ford is faced with significantly higher facility costs to rehabilitate the site in Dearborn. In addition, tax costs are lower in the competing location. Therefore, the following MEGA credit is needed to encourage this business investment in Michigan.

**ADDITIONAL BROWNFIELD CREDIT CRITERIA**

**PROJECT ELIGIBILITY:**

The proposed project site is an eligible property. The City of Dearborn is a qualified local governmental unit and has certified that the property is functionally obsolete. The project is the subject of a brownfield plan approved by the Dearborn Brownfield Redevelopment Authority on September 27, 2000. The brownfield plan has been approved by the City of Dearborn.

**ENVIRONMENTAL IMPACT:**

The Project does not involve relocation from another area in the state and will not result in the creation of another brownfield.

The level and extent of the contamination that will be alleviated by the eligible investments is unknown. Any environmental hazards discovered in connection with the project will be handled in the manner necessary to protect the public health and safety and the environment.

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**RECOMMENDATIONS:**

**BROWNFIELD CREDIT:**

The Michigan Economic Development Corporation recommends a MEGA Brownfield Credit of 10 percent of the eligible investment in the Ford Rouge Center Redevelopment project, but no more than \$30,000,000.

**MICHIGAN ECONOMIC GROWTH AUTHORITY CREDIT:**

The Michigan Economic Development Corporation also recommends an employment credit of 50 percent for up to 3800 retained employees and a 50 percent business activity credit, both for 20 years.