



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: February 19, 2008
TO: Michigan Economic Growth Authority
FROM: Val Hoag, Director
Portfolio Management & Packaging
Mike Pohnl, Project Manager
Portfolio Management & Packaging

SUBJECT: Briefing Memo – General Dynamics Land Systems Inc.
Standard Credit

COMPANY NAME AND ADDRESS:

General Dynamics Land Systems Inc.
38500 Mound Road
Sterling Heights, Michigan 48310

HISTORY OF COMPANY:

General Dynamics Land Systems (GDLS) was formed in 1982 when General Dynamics acquired Chrysler Corporation's defense operations. Today, GDLS has approximately 8,000 employees in 12 states. General Dynamics Corporation, GDLS' parent, headquartered in Virginia, employs approximately 83,500 people worldwide and reported 2007 revenues of \$27.2 billion. The company has leading market positions in land and amphibious combat systems, mission-critical information systems and technologies, shipbuilding and marine systems, and business aviation. Land Systems, headquartered in Sterling Heights, designs and builds armored vehicles and subsystems for the United States and international customers, and is the largest supplier of armored military vehicles.

PROJECT DESCRIPTION:

This project, which could be located in both Sterling Heights and Shelby Township (both in Macomb County) will support the growth in armored vehicles sales and support currently being sustained by the Department of Defense. GDLS includes a significant level of engineering support to the fielded armored vehicles in the fleet. These vehicles include the Stryker family of vehicles and the Abrams Main Battle Tank program. This expansion will create approximately 500 jobs with an average weekly wage of \$1461. These will be mostly professionals in systems software, mechanical, human factors, and automotive engineering. Capital investment for this project will be approximately \$10 million. The company is considering locating this project at other GDLS facilities including Virginia, Florida and Ontario, Canada.

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General Dynamics Land Systems Inc.
Briefing Memo
February 19, 2008
Page Two

BENEFIT 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 create a total of 1,149 jobs in the state by the year 2020. We also estimate that the project would increase total state government revenues through the year 2020, net of MEGA cost and adjusted for inflation, of \$43.76 million (2008 dollars) due to the location of this facility.

BUT FOR:

GDLS has three existing alternative facilities, in Virginia, Florida and Ontario, Canada, to consider when planning for this increased research and development activities and proposed investment. The leading sites for this investment are Michigan and Virginia. The Florida facility currently has excess capacity and qualified engineering staff can be hired in that state for approximately 9% less than similarly experienced professionals in Michigan. In addition, the state of Florida is offering a tax credit worth approximately \$400,000 annually if GDLS chooses to locate this expansion in the state.

OTHER STATE AND LOCAL ASSISTANCE:

The Charter Township of Shelby has proposed a 5-year 50 percent property tax abatement for all new personal property with which the company intends to equip the facility. The estimated value of the property tax abatement is \$70,000. The City of Sterling Heights proposes a 50 percent abatement of the Company's new personal property and real property taxes related to the Project for nine years.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 12 years, for up to 500 net new jobs.