



**MICHIGAN ECONOMIC DEVELOPMENT CORPORATION**

**MEMORANDUM**

300 N. WASHINGTON SQ.  
LANSING, MI 48913

CUSTOMER  
CONTACT CENTER  
517 373 9808

WWW.MICHIGAN.ORG

**DATE:** May 18, 2004  
**TO:** Michigan Economic Growth Authority  
**FROM:** James Donaldson, Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo – General Dynamics Land Systems, Inc.  
Standard Credit

**EXECUTIVE COMMITTEE**

MATTHEW P. CULLEN  
Chair  
General Motors

PHILIP H. POWER  
Vice Chair  
HomeTown Communications  
Network

DONALD E. JAKEWAY  
President & CEO

RICHARD E. BLOUSE JR., CCE  
Detroit Regional Chamber

FACUNDO BRAVO  
Uni Borling Co., Inc.

JOHN W. BROWN  
Stryker Corporation

DR. DAVID E. COLE  
Center for  
Automotive Research

JOANN CRARY  
Saginaw Future Inc.

STEVEN K. HAMP  
The Henry Ford

HAYDEN H. HARRIS  
EDF Ventures

PAUL HILLEGONDS  
Detroit Renaissance

DAVID HOLLISTER  
Michigan Department of  
Labor & Economic Growth

GEORGE JACKSON JR.  
Detroit Economic Growth  
Corporation

MICHAEL J. JANDERNOA  
Bridge Street Capital  
Partners, LLC

MAYOR ROBERT B. JONES  
City of Kalamazoo

BIRGIT M. KLOHS  
The Right Place, Inc.

DR. IRVIN D. REID  
Wayne State University

S. MARTIN TAYLOR  
DTE Energy Company

SARY TORGOW  
Sterling Group

PETER S. WALTERS  
Guardian Industries Corp.

**COMPANY NAME AND ADDRESS:**

General Dynamics Land Systems, Inc.  
PO Box 2073  
Warren, Michigan 48090

**HISTORY OF COMPANY:**

General Dynamics Land Systems designs and builds armored vehicles and subsystems for the USA and international customers, and is the defense industry's largest supplier of armored military vehicles. The company is a subsidiary of General Dynamics, a market leader in land and amphibious combat systems, mission-critical information systems and technologies, shipbuilding and marine systems, and business aviation. General Dynamics Land Systems was formed in 1982 when General Dynamics acquired Chrysler Corporation's defense operations. In March 2003, the assets of GM Defense were purchased and combined with Land Systems. General Dynamics Land Systems is headquartered in Sterling Heights and has over 2,000 employees in Michigan.

**PROJECT DESCRIPTION:**

General Dynamics Land Systems was awarded a research and development contract for the US Army's Future Combat System Program in December 2003. This contract requires an increase in the engineering design and development workforce at Land Systems. To accommodate this growth, the company would lease 51,200 square feet in an existing building in Sterling Heights. The project would lead to the creation of 325 new jobs in the next year, with the positions paying an average weekly wage of \$1,396.

The project would require a capital investment of \$6.6 million, including \$4.4 million for capitalized lease costs and leasehold improvements and \$2.2 million for new test equipment and office furnishings.



General Dynamics Land Systems, Inc.  
Briefing Memo  
May 18, 2004  
Page Two

#### **BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate that this facility will create a total of 505 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$24.0 million (2004 dollars) due to the location of this facility.

#### **BUT FOR:**

General Dynamics Land Systems completed a comprehensive analysis of several sites throughout the United States for this project. In addition to Sterling Heights, the company is also considering sites in South Carolina and Florida for this project. When comparing Michigan to South Carolina, the company found the major cost disparity was caused by wages and benefits. The company found that wages and benefits would be 10 percent lower in South Carolina, saving the company approximately \$4.5 million annually once the project is fully staffed. In addition, the company found a more favorable tax environment in South Carolina as well as the availability of job creation tax credits.

#### **OTHER STATE AND LOCAL ASSISTANCE:**

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the new 325 workers, or up to \$162,500. The state will also provide, pending approval of local property tax abatement, a 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This value of this abatement is estimated at \$72,100.

The City of Sterling Heights has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$243,800. The abatement is expected to be finalized on May 18, 2004.

#### **RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for twelve years, for up to 325 net new employees and a 100 percent business activity credit for twelve years.