

# MEMORANDUM

**Date:** October 26, 2010

**To:** Michigan Economic Growth Authority

**From:** Josh Hundt, Senior Project Specialist  
Packaging Team

**Subject:** General Motors, LLC  
Amendment of Global Retention MEGA Credit

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## COMPANY NAME

General Motors, LLC  
200 Renaissance Center  
Detroit, Michigan 48265

## HISTORY OF COMPANY

General Motors Corporation was founded in 1908, and manufactures and markets automobiles, automotive systems, engines, heavy duty automatic transmissions, component parts and locomotives worldwide. In 2009, the former General Motors Corporation filed bankruptcy, resulting in the reorganization of its North American operations. Under a court approved transaction General Motors Corporation transferred substantially all of its operating assets to General Motors Company and its operating company General Motors, LLC.

On June 25, 2009, the Michigan Economic Growth Authority (MEGA) approved a Global Retention MEGA tax credit that included all existing Retention credits, as well as the opportunity to keep the Orion facility in Michigan. At that time, the project encompassed 17 facilities. That credit was later amended to include GM's headquarters at the Detroit Renaissance Center, with certain provisions included.

## PROJECT DESCRIPTION

GM is continuing to evaluate its overall product portfolio and the need for new products. As part of this evaluation, a business case is being developed with different scenarios for a Michigan location to support the proposed addition of Hybrid Electric Vehicle battery and vehicle engineering and development operation at the existing battery development center located at the Warren Tech Center. This new addition is expected to result in an additional \$112 million in research and development investment, and the additional retention of up to 900 employees with average wages of \$2,115. Additionally, the company is seeking to further secure the Michigan footprint and induce future investment and projects to Michigan and allowing for an additional up to 8,100 jobs to be retained.

Overall the amended project is expected to see \$2.5 billion in capital investment and retain up to 30,000 employees over the course of the tax credit. The average weekly wage for these positions will be \$650, except for the Detroit Renaissance Center

which will be \$1,000. The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

### **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 retain a total of 136,400 jobs in the state by the year 2030. It is also estimated that the project would maintain total state government revenues through the year 2030, net of MEGA costs, of \$12.6 billion (current dollars) due to the retention of this facility.

### **BUSINESS CASE**

GM is considering other North American operations for this investment and retention of staff. Internally, the company is experiencing strong competition for this investment as it represents a new technology and change that will spearhead the next generation of vehicle and power train development for the company.

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

No other additional local support was secured for this amendment. The original local support offered by Orion Township will still be a requirement for the activation of the tax credit.

### **RECOMMENDATION**

Based on the factors described above, the Michigan Economic Development Corporation recommends the following amendments to the up to 100% Retention MEGA tax credit, for 20 years:

- Increase the maximum retained jobs by 9,000, allowing for up to 30,000 retained jobs to be covered under this tax credit;
- Amend the project sites to allow for any facility in Michigan, with exception to the GM Technical Center – except for the Battery Lab and the Manufacturing Validation Center which will be allowed;
- Amend the minimum number of jobs to be held in Michigan from 8,000 to 14,600, including 7,900 salaried positions;
- Amend the required number of employees, including GM full-time employees, shared services and contract employees, to be housed at the Detroit Renaissance Center from 2,000 to 4,000 employees;
- Amend the maximum credit allowed for the Detroit Renaissance Center portion of the credit to \$75 million, an increase of \$25 million; and
- All other aspects of the previously approved and amended tax credit will remain the same.