



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 30, 2004
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – General Motors Corporation – City of Flint
Retention Credit

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COMPANY NAME AND ADDRESS:

General Motors Corporation
200 Renaissance Center
Detroit, Michigan 48265

HISTORY OF COMPANY:

General Motors Corporation was founded in 1908 and manufactures and markets automobiles, automotive systems, heavy-duty automatic transmissions and locomotives worldwide.


The General Motors Flint Truck Assembly facility currently employs approximately 2,500 workers. This facility produces Chevrolet and GMC heavy duty pick up trucks.

PROJECT DESCRIPTION:

General Motors is considering major investments in its operations in Flint. The investments are related to two major areas: the production of the next generation of heavy duty pickup trucks, and development of a new global V6 engine. The engine product will have upgraded features and will be the first of this class of engine to be produced in the United States.

These expansions will result in the retention of 2,862 jobs in the state, including the location of an additional 400 workers at the Flint site. Positions retained from these projects will include workers already employed at the site, as well as employees from the company's jobs bank. These positions will pay approximately \$1,063 per week.

The project would require an investment of at least \$400 million, including \$50 million for a new engine production facility and \$350 million for new machinery and equipment, and tooling. It is anticipated that capital expenditures for renovations would begin this year with production initially targeted for mid-2007.



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BENEFIT TO STATE:

The economic analysis done by the University of Michigan utilizing Regional Economic Models, Inc. software will be presented at the MEGA Board Meeting.

BUSINESS CASE:

General Motors performed a comprehensive analysis of potential facilities where this production could be performed. Sites throughout North America were considered for these opportunities. Other sites offer lower construction or labor costs, which could save General Motors up to \$100 million annually.

OTHER STATE AND LOCAL ASSISTANCE:

For new real property related to the Engine portion of the project, the State of Michigan will offer 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement.

The City of Flint approved 50 percent abatement of the company's new real property taxes and 100 percent abatement of the new personal property taxes for 12 years.

These state and local abatements have an estimated value of \$42.8 million.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 60 percent for two years, followed by an employment credit of 50 percent for eight years for the retention of up to 2,510 jobs at the truck assembly facility.

Additionally, the Michigan Economic Development Corporation recommends an employment credit of 100 percent for 10 years for the retention of up to 352 jobs at the new engine facility.