




MEMORANDUM

DATE: June 13, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development 
SUBJECT: Briefing Memo – General Motors Corporation

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COMPANY NAME AND ADDRESS:

General Motors Corporation
400 Renaissance Center Drive
Detroit, Michigan 48265

HISTORY OF COMPANY:

General Motors Corporation (GM) was founded in 1908 and manufactures and markets automobiles, automotive systems, heavy-duty automotive transmissions and locomotives worldwide. The company employs more than 388,000 people and partners with over 30,000 supplier companies worldwide.

DESCRIPTION OF PROJECT:

The project proposed by GM involves an enhanced product program and new facilities to support it. The new manufacturing site would include a vehicle assembly center and a regional stamping facility that would support both the on-site vehicle assembly center as well as other GM vehicle operations in the region.

Once operational, the new facilities would produce vehicles not currently produced at other Lansing area facilities. The project is an innovative approach to the design and manufacture of vehicles in today's highly competitive market, modeled after world-class assembly operations. The company is applying for a job retention MEGA tax credit in order to keep employment in the Lansing area.

The company would invest \$35 million in land, \$354 million in building and \$656 million in machinery and equipment, for a total capital investment of \$1.05 billion. Retained jobs at the project would total 2,800 over a three-year period at an average weekly wage of \$1,213 and a benefit package of approximately

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30 percent of wages. Building construction would begin in September 2000 and be complete by September 2003. Production at the facility would begin in November 2003.

BENEFIT TO THE STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will retain a total of 28,561 jobs in the state by the year 2020. Total state government revenues retained through the year 2020, net of MEGA costs and adjusted for inflation, would total \$1,741,667,000 (2000 dollars) due to the presence of the General Motors facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive cost analysis between Lansing, Michigan and another Midwest state. Based on figures obtained from the company, the cost disadvantage for General Motors to site this expansion in Michigan rather than a competing site amounts to \$35,917,000 over 20 years. These cost differentials take into account all local property tax incentives available in Michigan and the competing state. In addition to these operating cost differentials, the estimated value of the competing state's corporate income tax incentives is \$129 million, for a total differential of \$164,917,000.

The most significant factors in this differential are incentives, taxes, and utility costs. Michigan Economic Development Corporation staff has reviewed these differentials and found them to be a fair representation of cost differentials for a project of this size.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide General Motors with a 100 percent abatement of the six-mill State Education Tax for a length of time to match the local property tax abatement. It is estimated that the value of this abatement will be \$23 million. In addition, the state will offer job training assistance of \$1,000 each for up to 2,800 net retained jobs, or a total of

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\$2.8 million. There will be \$4 million provided to Lansing Community College for a Michigan Technical Education Center (MTEC) to provide customized training facilities for GM.

The City of Lansing will be providing the company with a 50 percent abatement of the real property taxes for a period of 12 years and 100 percent abatement of personal property taxes for 25 years that are estimated to be worth up to \$165 million.

The state, City of Lansing and Delta Township will also be providing infrastructure improvements on the proposed site at an estimated cost of \$28 million.

BUT FOR:

The company conducted both a cost analysis and a strategic analysis of where would be best to site this facility. The Lansing area has always been a profitable location for the company due to excellent relationships with local municipalities and the workers in the Lansing plants. However, the MEGA tax credit is needed to overcome incentives and cost advantages offered by the other state.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA job retention employment credit of 50 percent for up to 2,800 jobs for a period of twenty years, and a MEGA job retention business activity credit of 50 percent for a period of twenty years.