



MEMORANDUM

DATE: February 11, 2003
TO: Michigan Economic Growth Authority
FROM: Jim Donaldson, Vice President Business Development
SUBJECT: Briefing Memo - Global Engine Alliance, LLC Standard Credit

COMPANY NAME AND ADDRESS:

Global Engine Alliance, LLC
1000 Chrysler Drive
Auburn Hills, Michigan 48326

HISTORY OF COMPANY:

Global Engine Alliance, LLC was formed on June 7, 2002 by DaimlerChrysler, Hyundai and Mitsubishi for the purpose of jointly designing, developing and engineering a new family of in-line 4-cylinder gasoline engines to be used in future generations of vehicles of the three partners. The three partners equally own the joint venture company and currently there are no employees.

PROJECT DESCRIPTION:

This project involves the development of a joint manufacturing facility to produce 2.4L, 2.0L, and 1.8L 4-cylinder aluminum engines. The project would focus on the manufacture of product for the NAFTA region and the engines would be installed in DaimlerChrysler, Hyundai and Mitsubishi vehicles. The company is considering sites in the Village of Dundee and other Midwest states. The project, and anticipated growth, would require 260 acres of land and would lead to the construction of a new 450,000 square foot manufacturing facility, as well as warehouse and office facilities. The expansion is expected to generate 172 new jobs in the first year of operation and 400 new jobs over a five-year period. The new positions will pay an average weekly wage of \$925.

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Total capital investment for the project would be approximately \$374.9 million over five years, including \$88.4 million for site development, building and infrastructure costs, and \$286.5 million for new machinery and equipment. The project would begin construction in the Spring of 2003, with operations starting in early 2005.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 1,136 jobs in the state by the year 2023. Total state government revenues through the year 2023, net of MEGA costs and adjusted for inflation, would be increased by \$76.1 million (2003 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Global Engine Alliance compared the costs of the project in Dundee to Indiana. After a comprehensive analysis, the major cost gaps identified by the company included utilities, transportation costs, and taxes. The company estimates that electrical costs will be approximately \$1.1 million per year higher in Michigan, once the facility is fully operational. The company is also anticipating a transportation cost differential of \$800,000 per year due to the location of the facility and the plants that will utilize the new engines. Additionally, the company is anticipating significantly higher tax costs in Michigan due to the SBT and property taxes.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$1,000 for each of the 400 new employees, or up to \$400,000. The company will also be eligible, based on the private investment numbers it provided, for an Investment Tax Credit worth approximately \$2.4 million. In addition, the state of Michigan will provide 100 percent abatement of the six-mill State Education Tax for a period of time to match the local property tax abatement. This abatement is estimated to be worth \$4.7 million.

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The state of Michigan will also provide the Village of Dundee a Community Development Block Grant worth \$5.0 million for land acquisition, site preparation and/or other infrastructure improvements, including water, sewer and road improvements. Finally, an application through the local community for a Transportation Economic Development Grant for road infrastructure improvements from the Michigan Department of Transportation will be supported. The approximate value of this grant is \$1.6 million.

The Village of Dundee will provide a 50 percent abatement of the company's new real and personal property for twelve years. The value of the local tax abatement is estimated to be \$21.9 million. It is expected that final tax abatement approval will be completed by April 2003. In addition, the community will create a Local Development Finance Authority to capture taxes from this site for road infrastructure improvements, sewer treatment facility upgrades, rail infrastructure, utility extension, and site preparation.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a twenty-year employment tax credit of 100 percent for the first 200 new employees, and a seven-year business activity credit of 100 percent for the initial six years and 60 percent for the final year.