



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

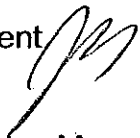
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DATE: February 17, 2004

TO: Michigan Economic Growth Authority

FROM: Jim Donaldson, Vice President
Business Development 

SUBJECT: Briefing Memo – Global Engine Manufacturing Alliance, LLC
Standard Credit

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COMPANY NAME AND ADDRESS:

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

HISTORY OF COMPANY:

Global Engine Manufacturing Alliance, LLC was formed on March 31, 2003 by DaimlerChrysler Corporation, Hyundai Motor America and Mitsubishi Motors North America for the purpose of jointly producing 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. The MEGA Board approved phase I of this project on February 11, 2003.

PROJECT DESCRIPTION:

This project involves the second phase of development for a joint manufacturing facility to produce 2.4L, 2.0L, and 1.8L 4-cylinder aluminum engines. The project would focus on additional capacity for the manufacture of product for the NAFTA region and the engines would be installed in DaimlerChrysler, Hyundai and Mitsubishi vehicles. The company is considering their existing site in the Village of Dundee and other Midwest states. The project would lead to the construction of an additional 450,000 square foot manufacturing facility, as well as the headquarters of the company. The expansion is expected to generate 77 new jobs in the first year of operation and 300 new jobs over a five-year period, of which 250 would be direct employees of Global Engine Manufacturing Alliance. The new positions will pay an average weekly wage of \$1,041.



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Total capital investment for the project would be approximately \$323.2 million over five years, including \$49.5 million for building costs, and \$273.7 million for new machinery and equipment. The project would begin construction in the spring of 2004, with operations starting in spring 2006.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 842 jobs in the state by the year 2025. Total state government revenues through the year 2025, net of MEGA costs and adjusted for inflation, would be increased by \$64.5 million (2004 dollars) due to the presence of this facility.

BUT FOR:

As part of the company decision-making process, Global Engine Manufacturing Alliance compared the costs of the project in Dundee to Indiana. After a comprehensive analysis, the major cost gaps identified by the company were transportation costs and taxes. The company estimates a \$350,000 per year transportation differential once the facility is fully operational. The company will also see savings in property taxes, due to lower tax rates in Indiana and available property tax abatements. Additionally, the company is being offered an aggressive incentive package, including job creation tax credits, training funds and other incentives.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will work with the company to develop a customized workforce training program. The grant will cover actual training costs, up to \$400,000 for eligible new employees. In addition, the Southeast Michigan Community Alliance (SEMCA) is willing to provide up to \$2.688 million for eligible new worker training. 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 \$4.85 million.

The state of Michigan will also provide the Village of Dundee a Community Development Block Grant worth \$5 million for pre-employment assessment and program specific training, and wastewater treatment facility upgrades. Finally, an application through the local community for a Transportation



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Economic Development Grant for road infrastructure improvements from the Michigan Department of Transportation will be supported. The approximate value of this grant is \$800,000.

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 \$22.8 million. It is expected that final tax abatement approval will be completed by April 2004. In addition, the community will utilize the Local Development Finance Authority to capture taxes from this site for utility infrastructure improvements, sewer treatment facility upgrades and electrical upgrades.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a twenty-year employment tax credit of 100 percent for, for up to 250 net new employees, and a seven-year business activity credit of 100 percent for the initial six years and 60 percent for the final year.