

## MEMORANDUM

**DATE:** March 17, 2009

**TO:** Michigan Economic Growth Authority

**FROM:** Amy Deprez, Packaging Team Manager  
Portfolio Management & Packaging

Greg West, Project Specialist  
Portfolio Management & Packaging

**SUBJECT:** Briefing Memo – Mercedes-Benz Hybrid LLC  
Standard MEGA Credit (Look-Back)

### COMPANY NAME:

Mercedes-Benz Hybrid LLC  
1960 Technology Drive  
Troy, MI 48083

### HISTORY OF COMPANY:

Daimler AG, incorporated May 6, 1998, is the parent company of the Daimler Group, which develops, manufactures, distributes and sells a range of automotive products, including premium passenger cars and commercial vehicles such as trucks, vans and buses. It also provides financial and other services relating to its automotive businesses. The company operates in four segments: 1) Mercedes-Benz Cars, 2) Daimler Trucks, 3) Daimler Financial Services, and 4) Vans, Buses, and Other.

Within Daimler AG, Mercedes-Benz Hybrid LLC ("MBH LLC") is a subsidiary of Daimler North America Corporation and is responsible for developing and maintaining hybrid automotive competence within the company. MBH is looking to permanently relocate a research and development center specifically for the development of extensive hybrid knowledge. The relocated center will be transformed to an independent and fully operational Mercedes-Benz Engineering Center.

MBH LLC currently has 14 employees in Michigan.

### PROJECT DESCRIPTION:

For the project, MBH LLC is considering the establishment of a permanent research and development center in Auburn Hills, Oakland County, specifically for the development of alternative propulsion systems including hybrid technology.

The center will be structured as an independent and fully operational Mercedes-Benz Engineering Center for Powertrains USA and will be responsible for developing hybrid transmissions, EMotors, power electronics,

and software technology. The MBH Center will employ largely experienced engineers and technicians and will utilize other available and proven local service resources for equipment, test facilities, prototype builds, and personnel. The new operations at the project will require approximately 65,000 square feet, including an advanced technology laboratory.

This project will result in the creation of 223 direct new jobs with an average weekly wage of \$1,210. Total investment over five years will be approximately \$9.9 million. The company will also offer health care benefits and pay a portion of the benefit costs.

#### **BENEFITS 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 generate a total of XXX jobs in the state by the year 20XX. Total state government revenues through the year 20XX, net of MEGA costs, would be increased by \$X.X million (current dollars) due to the presence of this expansion.

#### **BUSINESS CASE:**

There are a number of competitive disadvantages when compared to the leading alternative site in Greenville, South Carolina, with the primary disadvantages being wages and benefits. Further, there are additional factors to consider when making the decision to locate in Michigan. North and South Carolina, home to the Research Triangle, as well as California, have experienced significant growth as it relates to hybrid vehicle technology development and are seen as growing incubators for collaborative efforts and industry support.

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

The City of Auburn Hills supports the Mercedes-Benz Hybrid LLC project and anticipates approval of local tax abatements.

Further, the MEDC has authorized a X mill abatement of the State Education Tax (SET) millage for new real property included in the local property tax abatement. The term of this abatement will be consistent with the local tax abatement.

#### **RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent Standard employment tax credit for 10 years, for up to 223 net new employees over an established employment base of 533, including a look-back period as described below:

- The look-back period will be established as of 90 days prior to the execution of the Credit Agreement, anticipated to be March 17, 2009. Employees hired after the establishment of the look-back period will count as qualified new jobs provided that they meet all the requirements outlined in the MEGA Credit Agreement.