

MEMORANDUM

Date: May 5, 2009

To: Michigan Economic Growth Authority

From: Amy Deprez, Packaging Team Manager
Portfolio Management & Packaging

Subject: Briefing Memo – Ford Motor Company
Retention MEGA Credit
Anchor New Jobs Designation
Large Brownfield MBT Tax Credit & Work Plan Approval

COMPANY NAME

Ford Motor Company
One American Road
Dearborn, Michigan 48126

HISTORY OF COMPANY

Ford Motor Company (Ford) was incorporated in Delaware in 1919. Ford acquired the business of a Michigan company, also known as Ford Motor Company, incorporated in 1903 to produce and sell automobiles designed and engineered by Henry Ford. Ford Motor Company is based in Dearborn, Michigan and is the world's third-largest producer of cars and trucks combined. Ford sells vehicles in more than 200 countries and territories around the world, and has 95 manufacturing facilities on six continents. The company's core and affiliated automotive brands include Ford, Lincoln, Mercury, Volvo, and Mazda, and Ford Motor Credit Company is its automotive financing business.

The company operates as a globally integrated worldwide team with four key priorities: aggressively restructure to operate profitably at the current demand and changing mix, accelerating development of new products customers want and value, financing its plan and improving its balance sheet, and working together effectively as a global team.

The company currently employs about 246,000 people worldwide.

PROJECT DESCRIPTION

Ford is considering a significant investment at the Michigan Assembly Plant (former Michigan Truck Plant) which is located at 38303 Michigan Avenue in Wayne, Michigan. This investment would convert the plant, which previously manufactured large body-on-frame products (Expedition/Navigator), into a flexible manufacturing facility that can produce smaller vehicles off a global platform. The initial model will be a redesigned Focus. The facility will receive significant investment in body, paint and final assembly. In addition, the project includes integrated stampings which means investment at the adjacent Wayne Stamping Plant, located at 37500 Van Born Road. There is also a potential for additional future advanced technology derivatives.

Ford Motor Company will invest approximately \$400 million and retain 3,200 jobs with the potential to increase to 4,700 jobs over the next five years as a result of this project. Retained jobs will be located at both Michigan Assembly and Wayne Stamping, with the higher range depending on market conditions and product demand. The retained jobs will include skilled trades and production workers and will pay an average weekly wage of \$760. The company will also offer healthcare benefits and pay a portion of the benefit costs.

ANCHOR JOBS DESIGNATION

Ford Motor Company has the ability to influence the location decisions of qualified customers and qualified suppliers in relation to the Michigan Assembly facility project. An extensive network of supplier partners will be required to deliver Advanced Technology Vehicles and a diversity of technologies will be deployed in component development and manufacturing. Component suppliers will be needed to reequip, expand and establish manufacturing facilities that provide meaningful improvement in fuel economy across a full range of advanced vehicle technologies under consideration as product options/derivatives for Ford's new global platform, including: EcoBoost Advanced Engine Technology; Advanced Combustion Engine Technology; Advanced Transmission Technology; Hybrid Electric System Technology; Plug-in Hybrid Electric System Technology; Battery Electric System Technology; Electric Power assist Steering Technology; Lightweight Materials Technology; and E85 Renewable Fuel Technology.

The Anchor Jobs designation will provide tax incentives to Ford for attracting and influencing customers and suppliers with a critical or unique component to locate in Michigan in connection with the Michigan Assembly facility project and the derivatives identified above. The Anchor New Jobs incentive will be based on the number of qualified new jobs created by authorized suppliers or customers, as defined in the Act. At this time, the company has not identified any potential suppliers or customers they hope to attract, but they expect to do so as the project unfolds.

The Ford Motor Company Michigan Assembly project qualifies as a high technology activity under the Advanced Vehicles Technology definition, as defined in the Act.

BENEFIT 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 17,150 jobs in the state by the year 2021. Total state government revenues through the year 2021, net of MEGA costs, would be increased by \$774 million (current dollars) due to the presence of this facility.

BUSINESS CASE

The Ford Louisville Assembly Plant is in competition for this investment, as well as other locations in Europe. Ford's investment at the Ford Michigan Assembly Plant in Wayne to transform the facility into a flexible manufacturing facility that is able to produce multiple vehicles off a global platform demonstrates their commitment in investing in Michigan's future across all areas – assembly, stamping, power train, proving grounds, engineering and research and development. The project will have a positive impact on the Michigan supply base and will help to ensure the long-term viability of this location.

OTHER STATE AND LOCAL ASSISTANCE

The City of Wayne is supportive of this project and plans to approve property tax abatements on May 4th, consisting of approximately \$230 million in an Industrial Development District and \$46 million in a Plant Rehabilitation District. The estimated value of these abatements is not known at this time.

In addition, the City of Wayne concurred with the provisions of the Brownfield Plan allowing Ford Motor Company benefits from tax increment financing and Brownfield MBT credits.

BROWNFIELD – WORK PLAN REQUEST

TIF APPLICANT: Wayne County Brownfield Redevelopment Authority
CONTACT: Turkia Mullen
Chief Development Officer, Wayne County

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WORK PLAN REQUEST

The County of Wayne Brownfield Redevelopment Authority has submitted a work plan request for the approval of local and school tax capture for MEGA eligible activities in the amount of \$6,403,500.

MICHIGAN BUSINESS TAX CREDIT REQUEST

Projected Eligible Investment: \$240,000,000
Requested Credit Amount: \$30,000,000
Requested Credit Percentage: 12.5%

PROJECT ELIGIBILITY:

The project is located within the boundaries of the City of Wayne, a qualified local governmental unit, and has been deemed functionally obsolete as verified by a level IV assessor. The property is the subject of a Brownfield Plan, duly approved by the County of Wayne on April 14, 2009 and concurred with by the City of Wayne on April 21, 2009.

ANALYSIS

Brownfield Work Plan approvals are based on several criteria outlined in the statute. These are discussed below.

- a) **The overall benefit to the public:**
The project will convert the Michigan Assembly Plant (the former Michigan Truck Plant) into a flexible manufacturing facility that can produce smaller vehicles off a global platform. As a result, this project will secure jobs at the Michigan Assembly site as well as contribute to the property tax base for the city. The multiplier effect of these jobs is considered to be as high as seven by the Center for Automotive Research and therefore, helps secure indirect supplier jobs as well as induced jobs brought about from the income of the Ford retained employees through a patronage of local businesses and service providers.
- b) **The extent of reuse of vacant buildings and redevelopment of blighted property:**
Not Applicable
- c) **Creation of jobs (excluding construction and other indirect jobs):**
It is anticipated that project will retain up to 4,700 jobs.

- d) **Whether the eligible property is in an area of high unemployment:**
The County of Wayne's unadjusted unemployment rate was 14.9% in March 2009. This compares to the statewide seasonally adjusted average of 12.6% in March 2009.
- e) **The level and extent of contamination alleviated by the qualified:**
Not applicable.
- f) **The level of private sector contribution:**
The total capital investment on the project is anticipated to be approximately \$400 million.
- g) **The cost gap that exists between the site and a similar greenfield site as determined by the Michigan Economic Growth Authority:**
Not applicable.
- h) **If the developer or projected occupant of the new development is moving from another location in this state, whether the move will create a brownfield:**
The project is not expected to create another brownfield.
- i) **Whether the project of the developer, landowner, or corporate entity that is included in the work plan is financially and economically sound:**
After reviewing the financial information submitted by the company, the MEDC infers the project is financially and economically sound.
- j) **Any other criteria that the Michigan Economic Growth Authority considers appropriate for approval of the work plan:**
The investment relates to a critical part of Ford's overall restructuring plan and involves the transformation of truck plant into a plant that will manufacture a more fuel efficient vehicle. This product is a cornerstone of Ford's future product offerings and shows Ford's ongoing commitment to its partnership with Michigan.

TAX CAPTURE BREAKDOWN

There is a PA 198 tax abatement on the property and it is also located in the City of Wayne Downtown Development Authority. Therefore there are 35.0245 non-homestead mills available for capture, with school millage equaling 30.4959 mills (87.07%) and local millage equaling 4.5287 mills (12.93%). The requested tax capture for MEGA eligible activities breaks down as follows:

School tax capture (87%)	\$ 5,571,045
Local tax capture (13%)	\$ 832,455
TOTAL	\$ 6,403,500

COST OF MEGA ELIGIBLE ACTIVITIES

Demolition	\$ 3,420,000
Site Preparation	+ 2,130,000
Sub-Total	\$ 5,550,000
15% Contingency	832,500
Brownfield/Work Plan Prep	20,000
Work Plan Review	+ \$1,000
TOTAL	\$ 6,403,500

COST OF ELIGIBLE INVESTMENTS

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Restoration, Alteration, Renovation, and Improvement of Buildings	\$ 5,000,000
Addition of Machinery & Equipment	+ 235,000,000
TOTAL	\$ 240,000,000

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends up to a 100 percent retention employment tax credit for 10 years for up to 4,700 retained employees at the Michigan Assembly and Wayne Stamping facilities. Provided that:

- 1) Ford amends the Multi Site MEGA, approved in August 2006, to exclude the Michigan Truck facility from the qualified sites;
- 2) In addition, Ford must agree to set aside the Wayne Facility Site MEGA, approved in November 2003, upon activation of the Michigan Assembly MEGA being approved today; and
- 3) Ford agrees to retain a minimum of 1,800 jobs by the end of the first year of operations in order to activate the credit.

Further, the Michigan Economic Development Corporation recommends approval of an Anchor New Jobs designation for the maximum designation of 5 years.

The Brownfield Redevelopment staff recommends approval of local and school tax capture for the eligible activities totaling \$6,403,500, described above. Utilizing the current state to local capture ratio, the amount of school tax capture for this project is estimated at \$5,571,045.

Staff also recommends approval of a 12.5% MBT Brownfield Credit, not to exceed \$30,000,000.

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