MEMORANDUM

Date: January 30, 2017

To: Michigan Strategic Fund (“MSF”) Board Members

From: Stacy Bowerman, Senior Project Manager

Subject: Fuel Cell System Manufacturing LLC (“Company” or “Applicant”) Michigan Business Development Program Performance-based Grant Request

Summary
This is a request from the Applicant for a $2 million performance-based grant. This project involves the creation of 64 Qualified New Jobs, with the potential for up to 70 total jobs as a result of the project, and a capital investment of up to $48,905,000 in Brownstown Charter Township, Wayne County, Michigan.

The Applicant has demonstrated a need for the funding. The Company also considered various locations throughout the United States, including one existing site in an adjacent state. The Company also considered a greenfield development for this project. The Company evaluated implementation costs, long-term cost of doing business, and incentives available in other states when determining where to locate. Further explanation of need will also be included in the considerations section.

Background
The Applicant, developed in 2016, is a new Joint Venture project between two existing automotive companies: General Motors (“GM”) and Honda Motor Company (“Honda”). The creation of the Company represents a first ever joint venture between the two Automotive OEMs. The Company is a newly created entity and therefore does not have any existing employees.

The Applicant has not received any incentives from the MSF in the past. However, GM has two active MEGA Tax Credits in Michigan. Language will be included in the final agreement that job creation as a result of this project will not count toward the GM MEGA Tax Credit.

GM and Honda have collaborated since 2013 on a next-generation advanced propulsion system. This project will represent the fruition of this partnership with the creation of an assembly operation in Brownstown Charter Township. The project will include renovation within an existing facility, including installation of machinery and equipment for assembly of advanced automotive technology. The project is expected to commence renovations in early 2020 with start of production anticipated for later that year. Additionally, this project will bring a new advanced technology product to the State of Michigan, which will lead to job creation and investments in Brownstown Charter Township.

The MEDC legal unit has completed a civil and criminal background check for the entity and individuals related to this project.
Considerations

a) The Applicant is a “Qualified Business”, as defined in MCL 125.2088r(9)(b), that will locate and operate in Michigan.
b) The project will be located in Brownstown Charter Township. Brownstown Charter Township has offered a “staff, financial, or economic commitment to the project” in the form of expedited permit processing.
c) The Applicant has demonstrated a need for the funding. When determining where to locate, the Company evaluated sites outside of Michigan, including one existing site in an adjacent state. The Company also considered a greenfield development for this project. In addition to implementation costs and long-term cost of doing business, the Company also took incentives into consideration when determining where to locate the project. The grant assistance will help offset some of the upfront implementation and training costs. The training assistance will help ensure the Company has the ability to train its workforce in safety as well as the new processes needed to assemble the advanced propulsion technology.
d) The Applicant plans to create 64 Qualified New Jobs above a statewide base employment level of 0.
e) Pursuant to the program guidelines, the following was taken into consideration for the proposed project: project is not a retail project; project is not a retention project; involves out-of-state competition; product diversification; has a net positive return to Michigan; and level of investment.

Recommendation
MEDC Staff recommends the following (collectively, “Recommendation”):

a) Approval of the MBDP Proposal as outlined in the attached term sheet (collectively, “MBDP Proposal”);
b) Closing the MBDP Proposal, subject to available funding under the MBDP at the time of closing (“Available Funding”), satisfactory completion of due diligence (collectively, “Due Diligence”), finalization of all MBDP transaction documents; and
c) Commitment will remain valid for 120 days with approval for the MSF Fund Manager to extend the commitment an additional 60 days.