

Exchanging a Missile Plant for Two New Office Buildings



Definition of Problem

Volkswagen wanted to obtain a 2.2 million square foot obsolete Missile Production Plant located in Sterling Heights, Michigan for a new auto assembly facility. Although the factory no longer produced and manufactured products, the facility has 2,400 persons working at desks in the middle of the factory floor. The army could not release the facility without building new offices for their office personnel. It was not budgeted.

Solution

We proposed to the army Corp of Engineers that we would build two 200,000 square foot office buildings in exchange for the factory. We had no funding for this project. So, we did a turnkey request for bid for the Office Buildings while at the same time negotiated a contract with Volkswagen to sell them the factory for \$17 million, which is the same price as the Office Buildings with a clause requiring them to keep the Michigan Jobs and Economic Development Authority whole for any increased costs. The winner was Storen Associates.

Due to a problem in the regulations, we need to go to Congress to obtain permission for the exchange. The bill was introduced in the House and Senate in January and was passed by May. The Agreement with negotiated with Volkswagen and the JDA, and the Army and JDA by June. The Army could not have any communications with Volkswagen since their deal was with the state. We contracted with Storen and the first Office Building was built within 11 months with all contract changes being kept to less than 1.0%.



200,000 Square Foot TACOM Office Building #1

In addition, we negotiated a PA 198 Rehabilitation Tax Incentive for the plant's investment with the City of Sterling Heights and entered into an agreement with the state Highway Department to fund to overpasses over 16 Mile and 17 Mile Road to permit easy movement of rail trains into the facility without impacting auto travel.

Volkswagen invested an additional \$2 billion to create a modern auto assembly plant. The Missile Plant facility today is a Chrysler Auto Assembly Facility.



200,000 Sq. Ft. TACOM Office Building #2

Bogdan is shown with Governor Milliken and Volkswagen officials at the signing of the deal with Volkswagen exchanging two office buildings for an Army Missile Plant. Congress had passed the bill authorizing the exchange and we completed the agreements between the state and the army and a separate independent agreement between the state and Volkswagen. It was time to put pen to paper.

