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Mercedes-Benz USA Seeks Bonds for New Georgia Home: Muni Credit.

Mercedes-Benz USA is applying to borrow \$93 million through a sale of municipal debt to build its new Atlanta-area headquarters, part of a package of incentives the carmaker may get for leaving New Jersey.

The development agency for Fulton County, home to Atlanta, voted Jan. 6 to proceed with negotiations on incentives for the unit of Daimler AG (DAI) as part of its relocation, the authority's executive director, Al Nash, said in a phone interview.

If the plan is approved by the county economic-development authority, the agency would issue taxable revenue-backed bonds for the project, Nash said. The deal may find stronger demand in the \$3.6 trillion municipal-bond market, which has been shrinking since 2011, than in the \$6.1 trillion market for company securities, said Burt Mulford at Eagle Asset Management.

"A \$100 million corporate bond deal is relatively small, whereas the average deal for the municipal market is significantly less," said Mulford, who helps oversee about \$2 billion of munis in St. Petersburg, Florida. If Mercedes offered the debt itself, "it might not be as well-received."

Land Lease

The Fulton County authority would take ownership of the headquarters' land and lease it to Mercedes-Benz for 10 years, in a deal that would reduce the the Germany luxury automaker's property taxes for the same period.

"It's very preliminary," Nash said. "They would have to decide what they want to do, there would be a public hearing and then we would approve it or deny it."

The Daimler unit announced its headquarters move from Montvale, New Jersey, this week. The Georgia Department of Economic Development will unveil the state's contribution to the incentive package on Jan. 12, according to an e-mail from a spokeswoman, Stefanie Paupeck Harper.

Mercedes would join Spelman College in Atlanta, charter school Amana Academy and the Georgia Tech Athletic Association in borrowing through the county development authority, data compiled by Bloomberg show.

The carmaker's move is a blow to New Jersey and Governor Chris Christie, who has said high property taxes are driving out business. It's also the latest signal that the U.S. auto industry is centered in the South, instead of the Midwest and Canada. BMW AG, Mercedes, Nissan Motor Co. (7201) and Volkswagen AG have plants in the region. Porsche and Nissan have also located headquarters there.

800 Jobs

The carmaker's U.S. manufacturing plant is in a town outside Tuscaloosa, Alabama, and it ships out of a port in Brunswick on Georgia's coast.

"First they moved in the manufacturing, then they bring in the white-collar jobs," said John Boyd, a principal in Princeton, New Jersey, with The Boyd Company, which advises companies on relocation.

Mercedes expects to bring 800 employees to the new site, according to documents filed with the county agency that also specified the size and tax status of the proposed borrowing. There are several locations under consideration for the headquarters, according to the company.

Industrial-development bonds, issued by local agencies on behalf of private companies, are the riskiest corner of the municipal market. While most muni debt is backed by state and city tax revenue or public-utility fees, the project securities often depend on the success of a single site.

Examples of projects funded with such debt include a power plant serving the shuttered Revel Casino in Atlantic City, New Jersey, a central Florida facility that converts sewage into fertilizer and a Noah's Ark theme park that's fighting with Kentucky to keep promised tax incentives.

Mariella Kapsaskis, a Mercedes-Benz spokeswoman in New Jersey, said she'd forward questions about the bond issue to the carmaker's legal department, because the company hasn't chosen a specific location for the new headquarters.

Bloomberg Muni Credit

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