



MEMORANDUM

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

FROM: Trevor Friedeberg, Development Finance Analyst

DATE: April 24, 2013

SUBJECT: Approval of Michigan Business Development Request for \$1.5 million Performance-based Grant to:

ADP Dealer Services, Inc. (“Applicant” or “Company”)
1950 Hassell Road
Hoffman Estates, IL 60169
www.adp.com

MBDP PROGRAM AND ITS GUIDELINES

On December 21, 2011, the MSF Board approved the Michigan Business Development Program (“MBDP”) and its guidelines. The primary intended objective of the MBDP is to provide incentives to businesses that create qualified jobs, make qualified investments, or a combination of both, in Michigan.

SOURCE OF INFORMATION

It is the role of the Development Finance staff (“MEDC Staff”) to review for eligibility, completeness, and adherence to MBDP guidelines, the information provided by the applicant and to manage the MSF’s investment. Explanatory and background information is supplied in summary form to provide context for the request and is drawn exclusively from materials submitted by the applicant, and, as applicable, from other relevant third party sources utilized by MEDC staff.

HISTORY OF THE APPLICANT

ADP Dealer Services, Inc. is the leading provider of integrated computing solutions to truck, auto, motorcycle, marine, recreational vehicle and heavy equipment dealers worldwide and is represented in nearly 100 countries. ADP Dealer Services, Inc. is a division of Automatic Data Processing, Inc. (parent) which is one of the world’s largest providers of business outsourcing solutions and offers a wide range of human resource, payroll, and tax and benefit administration services. ADP, Inc., which is a subsidiary of the parent, has locations in Michigan and approximately 474 jobs. ADP, Inc. and ADP Dealer Services, Inc. are separate and distinct companies performing unrelated services.

The Applicant has not received any incentives from the MSF previously.

PROJECT DESCRIPTION

The Applicant plans to locate in the Renaissance Center in Detroit, Michigan to expand market share and presence in the Midwest United States, make investments and create jobs related to data processing, hosting, and related services. Currently, the Company has 10 home-shored employees conducting similar services.

- 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 the City of Detroit. The City of Detroit has offered a “staff, financial, or economic commitment to the project” in the form of a personal property tax abatement.
- c) The Applicant has demonstrated a need for the funding based on the necessity to incur costs that would not be necessary if the expansion were to occur in either Seattle or Hoffman Estates, Illinois as both of these locations are readily available to accommodate additional employees without additional leased space or renovations and improvements..
- d) The Applicant plans to create 150 Qualified New Jobs above a statewide base employment level of 10.
- e) The project meets the program guidelines as follows: the proposed project involves out-of-state competition; has a net positive return to Michigan; has a projected high wage level for new jobs; and the project is located in a distressed community.

INCENTIVE OPPORTUNITY

This project involves the creation of 150 Qualified New Jobs and a capital investment of up to \$3.3 million in the City of Detroit. The requested incentive amount from the MSF is \$1.5 million in the form of a performance-based grant. Please see below for more information on the recommended action.

RECOMMENDATIONS

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

- a) Approval of the MBDP Proposal as outlined in the term sheet attached to the proposed Resolution (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 further subject to the following terms and conditions:
 - a. Commitment will remain valid for 120 days with approval for MSF Fund Manager to extend the commitment an additional 60 days.

The MSF Advisory Committee has indicated its support of the Recommendation.