



## MEMORANDUM

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

**FROM:** Marcia Gebarowski, Regional Project Manager

**DATE:** May 23, 2012

**SUBJECT:** Approval of Michigan Business Development Request for \$1.8 million  
Performance-based Grant to:

Credit Acceptance Corporation  
25505 W. Twelve Mile Road  
Southfield, Michigan 48034  
[www.CreditAcceptance.com](http://www.CreditAcceptance.com)

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### **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 Project Management 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**

Credit Acceptance Corporation (“Applicant”) was formed in 1972 and provides auto loans to consumers, regardless of their credit history. The Applicant partners with automotive dealerships throughout the United States to provide loans to individuals who otherwise would not have access to the automobile credit market. The Applicant’s customer base is spread throughout the U.S., with significant sales in Michigan, New York, Texas, Ohio and Pennsylvania. The Applicant maintains a physical presence in Southfield, Michigan, its headquarters and in Henderson, Nevada. It also outsources functions to service centers in India and Costa Rica.

The Applicant received a Michigan Economic Growth Authority tax credit in 2007; however, the credit was not activated and no disbursements were made for that award. The Applicant has agreed to forego that incentive.

Michigan Economic Development Corporation

## **PROJECT DESCRIPTION**

The Applicant plans to grow their employment at two existing company facilities in the City of Southfield in order to meet future staffing needs of the entire organization, make investments and create jobs related to the servicing of automotive consumer loans.

- 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 City of Southfield. The City of Southfield has offered a “staff, financial, or economic commitment to the project” in the form of a property tax abatement for three years.
- c) The Applicant has demonstrated a need for the funding based on reduced wages, lower fixed costs and a reduced tax burden at their location in Nevada. In addition, the Applicant has experienced easier recruiting at their other locations.
- d) The Applicant plans to create 274 Qualified New Jobs above a statewide base employment level of 668.
- e) The project meets the program guidelines as follows: the proposed project involves out of state competition with an existing facility in Henderson, Nevada which the Applicant currently leases, the Applicant has indicated that investment will begin in 2012 and job creation will begin in 2013

## **INCENTIVE OPPORTUNITY**

This project involves the creation of 274 Qualified New Jobs and a capital investment of up to \$10.2 million in the City of Southfield. The requested incentive amount from the MSF is \$1.8 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”), completion of due diligence, the results of which are satisfactory to the MEDC (collectively, “Due Diligence”), finalization of all MBDP transaction documents, and further subject to the following terms and conditions:
  - a. Commitment will remain valid for 90 days with approval for MSF Fund Manager to extend the commitment an additional 30 days.

The MSF Incentives Subcommittee has indicated its support of the Recommendation.