



MEMORANDUM

DATE: May 12, 1999
TO: Michigan Economic Growth Authority
FROM: James L. Donaldson, Acting Vice President
SUBJECT: Briefing Memo - Flagstar Bank

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COMPANY NAME:

Flagstar Bank
2600 Telegraph Road
Bloomfield Hills, Michigan 48302

HISTORY OF COMPANY:

Flagstar Bank is a federally chartered stock savings bank founded in 1987. It is the largest independent savings institution headquartered in Michigan. Flagstar is the thirteenth largest residential mortgage originator in the U.S., and services more than \$11.5 billion of residential mortgages for other investors. Flagstar also has 28 community bank branches throughout southern and western Michigan. Flagstar currently has 1900 employees, 1520 of which are located in Michigan.

PROJECT DESCRIPTION:

Due to exponential increases projected in the mortgage servicing end of their business, Flagstar Bank is finding itself cramped in the leased space they have in Bloomfield Hills and Bingham Farms, Michigan. These facilities house the corporate headquarters as well as the mortgage servicing side of the business. Flagstar anticipates hiring up to 2,600 additional people over the next eight years. These jobs pay an average wage of \$340 per week and the company offers an excellent benefit package averaging 27 percent of wages.

Flagstar Bank is considering building a new corporate headquarters and mortgage servicing facility in Troy, Michigan on a site already owned by the company, or moving the mortgage servicing side of the business to Texas in leased space.

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If the company chooses to locate the mortgage business to Texas, Michigan would lose 1,000 current jobs, as well as the 2,600 anticipated new jobs. The corporate headquarters, with 200 jobs, will not move out of Michigan.

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 6,718 jobs in the state by the year 2016. Total state government revenues through the year 2016, net of MEGA costs, and adjusted for inflation, would be increased by \$209,134,000 (1999 dollars) due to the presence of the Flagstar Bank facility.

COST ANALYSIS:

As part of the company's decision process, it has undertaken a comprehensive cost analysis between the Dallas/Fort Worth area in Texas and Troy, Michigan. Based on figures obtained from the company, the annual cost disadvantage for Flagstar Bank, to establish its facility in Troy, Michigan, rather than Dallas/Fort Worth, ranges from approximately \$3,600,000 to \$8,500,000 over the term of the incentive. The cost differential is primarily attributable to 17 percent lower wage rates in Texas and tax costs (including SBT and real property taxes) being approximately three times higher in Michigan than in Texas. Michigan Economic Development Corporation staff has examined these numbers and believes they are a fair representation of the cost differential between Michigan and Texas.

OTHER STATE AND LOCAL ASSISTANCE:

Economic Development Job Training funds will be offered to the company at \$300 for up to 2600 net new employees for a total of \$780,000.

Flagstar Bank is not eligible for property tax abatement under any state incentives laws. The city of Troy will be providing assistance to the company through a waiver of sewer and/or water tap-in fees and road improvements.

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BUT FOR:

Without the assistance offered by the MEGA program, Flagstar Bank would not locate its expansion in Michigan for the following reasons:

1. The cross state comparison shows a real cost advantage to placing the project in Texas rather than Michigan.
2. Although Flagstar Bank already owns the 25-acre site in Troy, it is one of the last remaining large parcels of land available in Troy with prime exposure on Corporate Drive, just north of the Somerset Collection. The company has owned this land for three years and has received several offers of purchase from interested parties that well exceed what they paid for the land. The decision to site the corporate headquarters at this location, or another nearby site, is independent of the mortgage servicing operations.

Because the company was founded in Michigan and has had extremely good success, the company 's Board of Directors would prefer to remain in Michigan. They also know that moving to Texas would create disruption in their business which they would like to avoid if at all possible. However, without the inducement offered by MEGA, the cost differential would remain so huge they would be forced to choose the Texas option.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 15 years for up to 2,600 net new jobs.