



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

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DATE: November 24, 2008  
TO: Michigan Economic Growth Authority  
FROM: Amy Deprez, Packaging Team Manager  
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SUBJECT: Briefing Memo –Pulte Homes, Inc.  
Standard MEGA Credit

COMPANY NAME:

Pulte Homes, Inc.  
100 Bloomfield Hills Parkway, Suite 300  
Bloomfield Hills, Michigan 48304

HISTORY OF COMPANY:

Pulte Homes is one of America’s largest homebuilding companies with operations in approximately 50 markets and 26 states. Pulte is a Fortune 500 company and among Michigan’s largest public corporations. Their core business is the acquisition and development of land and the construction of residential housing, targeted for the first-time, first and second move-up, and active adult home buyers. Founded in Michigan in 1950, Pulte has delivered more than 500,000 new homes in its 58-year history. Under the Del Webb brand, Pulte is the nation’s largest builder of active adult communities for people age 55 and older. In addition, Pulte topped the 2008 J.D. Power and Associates New Home-Builder Customer Satisfaction Study and has consistently ranked at or near the top of this study. During 2007, Pulte delivered 27,540 homes and generated revenue of \$9.3 billion. In Michigan, Pulte currently builds homes in 26 communities and delivered almost 500 homes during 2007.

Pulte Homes, Inc. currently has 286 employees in Michigan.

PROJECT DESCRIPTION:

The proposed project includes the expansion of their operations at Pulte Homes, Inc.’s current site in Bloomfield Hills, Oakland County, and the potential relocation to a larger facility within Oakland County. Pulte’s accounting function is currently decentralized across its 30+ homebuilding divisions operating in 26 states. In order to standardize and optimize processes, leverage best-in-class technology, and gain economic efficiencies, Pulte is creating a national shared services center. This center will consolidate much of the accounting back office functions into one location that will serve each of the company’s homebuilding divisions. In addition, the company is critically evaluating other decentralized functions that may be brought into this shared services center.

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Total investment over five years will be approximately \$10 million. This project will create 350 new jobs with an average weekly wage of \$942. The company will offer health care benefits and pay a portion of the benefit costs.

**BENEFITS TO STATE:**

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 682 jobs in the state by the year 2020. We also estimate that the project would create total state government revenues through the year 2020, net of MEGA cost and adjusted for inflation, of \$20.1 million (2008 dollars) due to the creation of these new jobs.

**BUSINESS CASE:**

Alternatively, the company has considered various locations for this project, including Nashville, Tennessee. The competitive disadvantages identified through Pulte's due diligence process include the cost of labor, higher occupancy costs, and tax structure. The net impact of these adverse costs results in a competitive disadvantage when compared with the competing location in Nashville.

Overall, the cost and availability of labor represent the primary disadvantages to locating the center in Michigan, and are expected to lead to increased turnover, increased training and relocation costs, reduced efficiencies, and limitations on the future scalability of the center. As the national homebuilding industry recovers, Pulte expects their business to grow significantly, so the availability and cost of qualified labor represents a key concern.

**OTHER STATE AND LOCAL ASSISTANCE:**

The project has not received a local commitment at this time. Oakland County has indicated interest in providing support via employee training funds through its local Michigan Works program.

The MEDC has also approved training funds for the project through its Economic Development Job Training program. The MEDC will provide an employee training grant of \$500 per job for up to 200 new jobs expected to be hired in the first two years of the project. This training grant could be worth up to \$100,000.

**RECOMMENDATION:**

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent employment tax credit for 12 years, for up to 350 net new employees subject to the following:

- Provided that the company create a minimum of 250 jobs, over the employment base of 298, by the end of the tenth year of operations and continues to maintain that number in future years. Failure to do so will result in the remaining years being forfeited.