



201 N. WASHINGTON SQ.
4TH FLOOR
LANSING, MI 48913
1 517 335 5883
2 517 241 3683

CUSTOMER ASSISTANCE
1 517 373 9808

www.michigan.org

MEMORANDUM

DATE: December 12, 2000
TO: Michigan Economic Growth Authority
FROM: James Donaldson, Vice President
Michigan Business Development
SUBJECT: Briefing Memo – Quicken Loans, Inc.

COMPANY NAME AND ADDRESS:

Quicken Loans, Inc.
20555 Victor Parkway
Livonia, Michigan 48152

HISTORY OF COMPANY:

In December of 1999, Rock Financial Corporation, a provider of conventional, government insured and sub-prime debt consolidation and home financing loans, was acquired by Intuit, Inc. and renamed Quicken Loans. Quicken Loans operates through a network of 11 stores (eight in Michigan and one each in Illinois, Ohio and Nevada) and nine conventional lending branches (all in southeast Michigan). The company also maintains a customer call center in Livonia. Current employment in Michigan totals 459 people.

PROJECT DESCRIPTION:

Quicken Loans is considering an investment program to expand its current customer web center in Livonia, Michigan or Fredericksburg, Virginia, where Intuit currently has operations. The web center operations will provide customer support to inquiries made via the Internet. The project would require a capital investment of \$11.5 million in building costs (capitalized lease) and \$4.4 million in equipment purchases, for a total investment of \$15.9 million. The company would hire up to 515 full time employees within three years with an average weekly wage of \$1,117 and an employee benefit package worth approximately 13 percent of wages. Quicken Loans would finalize lease arrangements by the end of December, 2000 and commence purchases of needed equipment and furnishings immediately thereafter. Operations in the expanded web center would begin in January, 2001.

Briefing Memo
Quicken Loans, Inc.
December 12, 2000
Page Two

BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 928 jobs in the state by the year 2007. Total state government revenues through the year 2007, net of MEGA costs and adjusted for inflation, would be increased by \$15,171,000 (2000 dollars) due to the presence of this facility.

COST ANALYSIS:

As part of the company's decision-making process, it has undertaken a comprehensive analysis of Livonia, Michigan and Fredericksburg, Virginia. Based on figures obtained from the company, the cost disadvantage for Quicken Loans, Inc. to locate this expanded call center operation in Michigan rather than Virginia totals \$12.9 million over the seven-year incentive period. This cost differential is primarily attributable to lower wages in Virginia.

OTHER STATE AND LOCAL ASSISTANCE:

The State of Michigan will provide with an Economic Development Job Training grant of up to \$1,000 for each of the 515 new workers, or a total grant of \$515,000. In addition, 100 percent of the 6-mill State Education Tax will be abated for an amount of time to match the local property tax abatement. The value of the abatement totals approximately \$25,900.

The city of Livonia is proposing a 50 percent high-technology property tax abatement for a period of 3 years. The value of the proposed abatement totals approximately \$93,600.

Briefing Memo
Quicken Loans, Inc.
December 12, 2000
Page Three

BUT FOR:

Although the company's current headquarters and service center is located in Livonia, the new parent company, Intuit, has facilities in several states, including Virginia. In view of the ever-increasing competition within the information technologies and financial services industries, as well as the volatility of the mortgage market, the company needs to locate this expansion in an area that will provide a cost-effective business environment, shorten the ramp up time for call center efficiency and optimize labor market availability.

The company feels that a Michigan location would be the best in terms of minimizing the risks associated with business interruption that would occur with a relocation of facilities. However, given the cost differentials identified above, the company needs incentives from the state to make a business case for keeping the call center in Michigan.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends an employment credit of 75 percent for up to 515 net new jobs for 7 years and a business activity credit of 75 percent for 7 years.