

Dallas looks good as HQ site

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North Texas already has a stable of high-profile corporate headquarters, and it's in a good position to woo more as companies seek to move from expensive areas to cheaper ones, a New Jersey relocation consultant says.

Of 30 major U.S. cities, the Dallas-Fort Worth area offered the fourth-lowest annual operating cost for corporate headquarters, according to a recent study by John Boyd, head of the Boyd Co., a relocation consulting firm based in Princeton, N.J.



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His study takes into account "geographically variable operating costs" such as labor and utilities costs that are involved in operating a headquarters – in other words, the expenses you can change by moving somewhere else.

"Dallas shows well in this analysis, and it comes at a time when we have identified the corporate headquarters as the next frontier of corporate re-engineering, cost-cutting and strategic planning," said Mr. Boyd.

Atlanta, long eyed as a competitor by Dallas business, came in even lower on the cost scale, at second from the bottom. Las Vegas had the lowest costs, according to the study.

North Texas has long been seen as an economical place to locate corporate headquarters, though such rankings can vary dramatically depending on the criteria. A recent study by *Business Facilities*, a trade publication focused on site selection, listed Montana, South Dakota and Wyoming as the most business-friendly.

Relocations to the Big D are nothing new. It was way back in 1979 that American Airlines shifted its headquarters from New York to Fort Worth – a landmark move that

helped put North Texas on the corporate map. (Kimberly-Clark Corp., J.C. Penney Co. and Exxon Mobil Corp. came to the area between 1985 and 1990.)

Adding to North Texas' corporate roster remains an important strategy for local economic development officials. Fluor Corp., the engineering and procurement services giant, completed its move to Irving from California last year. Comerica Inc. is in the process of moving to Dallas from Detroit.

"Corporate headquarters relocations get a little more zing, and people sit up and take notice," said Mike Rosa, vice president of economic development at the Greater Dallas Chamber. "Major headquarters don't move around a lot. Any region that gets one every couple of years is doing pretty well."

True, relocations have their limits as an economic development strategy because of that very infrequency.

"Many cities are chasing very few," said Greg LeRoy, executive director of Good Jobs First, a nonprofit group in Washington, D.C., that promotes corporate and government accountability in economic development. "The vast majority of jobs being created in the Dallas metro area aren't going to be corporate headquarters jobs. They're going to be expansion of your existing employer base and the birth of new firms."

Mr. Rosa acknowledged such limitations. But he pointed out that headquarters can bring a slew of special benefits.

In addition to the public relations impact, there's the chance that top executives will channel resources to local arts institutions and charities.

"You get a lion's share of their community involvement," Mr. Rosa said. "It sure helps things like arts districts and zoos."

Counting up

New York still leads the nation, with 45 headquarters for companies on the Fortune 500 list of the largest U.S. corporations.

Houston is No. 2, with 22, followed by Atlanta, with 12, according to the 2007 Fortune 500.

Dallas ties with Chicago for fourth place, with 11 headquarters. But add in companies based in Fort Worth, Plano, Irving and other local cities, and the Dallas-Fort Worth area's tally climbs to 24.

(As a state, Texas ranks second, behind New York but ahead of California in the number of corporate headquarters.)

Mr. Boyd, who is scheduled to appear here Tuesday to present his findings to corporate planners from the Southwest, says the Dallas-Fort Worth area is well positioned to move up the rankings.

"Companies are taking a world view of their competition, and as a result, comparative economics are under the microscope now," he said. "The emphasis is on the books – the real cost of doing business."

The New Jersey consultant looked at construction, utilities, corporate travel, property and sales taxes, and labor costs for administrative support employees.

Executive salaries are not included because Mr. Boyd says top executive pay typically doesn't vary much from region to region (though critics might argue that slashing these salaries would be a sure-fire way for companies to save gobs of cash.)

For a hypothetical 55,000-square-foot headquarters with 350 nonexecutive employees, the annual price tag for the geographically variable costs comes in at \$22.8 million in Dallas. That compares with just under \$28 million in New York – an annual savings for relocating to Dallas of more than \$5.1 million that would be repeated year after year.

Larger companies would be likely to save even more.

But is that enough to disrupt the lives of countless employees?

Not for most employers.

Relocations are harder financially on employees these days, Mr. Boyd said.

"Companies have more and more reasons to move – reduce costs, tap a new labor market, create a new image," he said. "But employees – the people – have less and less reason to buy into the move. Why? One reason is the rise of the two-income family."

More benefits

For the company, there can also be intangible benefits.

When Comerica announced its move to Dallas, for example, it said it wanted to be closer to the markets it is relying on for future growth, including Texas, California and Florida.

Then there's North Texas' low real estate prices compared with the coastal hot spots – not to mention the state's lack of an income tax.

On the flip side, relocation pros point to regional weak spots such as Dallas' high crime rate and mixed reports on its local schools.

"People used to look at location, location, location," said Mike Barnes, a Waco-based economic development consultant.

"Increasingly, I think people look at education, education, education. There are some great school districts in the D-FW area. But there are also some that need attention."

Of course, that's true in other U.S. cities as well. Overall, Mr. Barnes said, he agreed with Mr. Boyd's assessment: North Texas is a tempting place for companies with wanderlust.

If Mr. Boyd is right, Dallas may see more executive-filled Lexuses on its streets – despite the 100-degree temperatures and oft-criticized schools.

"We counsel our clients to focus on the fundamentals," Mr. Boyd said. Now, "comparative costs are ruling the site selection process. Quantitative factors are trumping qualitative factors."