

Chicago's Fiscal Future: Growth or Insolvency? Site Selection Comments

Presented by

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Introduction

- Why do companies keep moving downtown/Chicago given Illinois' and the City's financial situation?
- Why doesn't the risk of higher taxes or reduced services scare them away?
- Review site selection process; context and nuance
- Remarks focus on HQs, but similar arguments for other industries/operations

My Background

- Site selection & economic development consulting – 25+ years
- Office, R&D, industrial projects
 - Lead or involved in 20-25 headquarters location analyses
 - Most were relocation feasibility; most did not move
 - Several prompted by mergers or acquisitions
- Throughout North America
- Regional economics, labor markets, real estate

Site Selection Process

- Expansion, relocation, reorganization
- Companies typically are risk averse
- Process of elimination
- Uncertainty a negative
- Image counts

Site Selection Process Overview

- Company goals: costs, labor, access
- Determine search area
- Screening - statistics
- Semi-finalists – community specific research; qualitative
- Finalists – community visits; subjective fit
- Final selection – incentives

Site Selection Factors

- Operating costs:
 - labor, utilities, real estate, freight, taxes, etc.
- Operating conditions:
 - labor availability & quality, air access, transportation services, utility services, suppliers, universities
- Quality of life
- Vary by industry & project

Headquarters, Professional & Creative

- HQ: corporate, business line, regional, North American
- Also R&D and IT
- Professional services
- All need highly skilled and creative professionals; sometimes in several occupational groups

Most Important Factor?

- It depends

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- It depends
- In a word: Talent
 - WBC video gets it right
- Chicago offers broad, deep educated labor force
 - Local and regional universities
 - Recruitability and transferability
 - Diversity of workforce and population
 - Diversity of economy and industries
 - Quality of life

Additional Competitive Factors

- Connectivity – O'Hare
 - Especially international
- Urban and economic synergy
- Opportunities to collaborate
 - Economic/industrial diversity a plus in IoT?

Weighing the Factors

- Some knock-out factors:
 - often infrastructure in manufacturing
- Then trade-offs
- Fiscal stability vs. talent not a paradox; it's a trade-off
 - Just like high costs are a trade-off
 - Typically so are labor availability, quality & cost
- What's the benefit of low and stable tax if you can't recruit the people you need?

Tax Liability/Risk Not Simple

- Corporations can shape state income recognition
- May value present benefit and downplay future risk
- Perhaps decided can live with estimated potential increase?
- Illinois has some tax pluses
- Are reduced services the bigger risk?

Final Comments

- Trade-off, not a paradox
- It is a challenge; some move; others may avoid
 - Competitors tout fiscal stability
 - Could further deterioration tip the balance?
- Run of HQ relocations is remarkable
- Don't forget other industries: freight and distribution; hotels & tourism, higher education
- Foster and support start-ups, innovation; expansions

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