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

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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
Most Important Factor?

• 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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