

Why New York has nothing on Boston as a corporate destination

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Greg Ryan Law and Money Reporter *Boston Business Journal*

As a destination for corporate headquarters, Boston is feeling pretty good at the moment. (Its politicians and business leaders are, at least.) Following General Electric's arrival, those same elected officials and business leaders are abuzz that more companies are on their way, drawn, as GE (NYSE: GE) was, by the city's startup scene, storied universities and political harmony.

The Business Journal sat down this week with John Boyd, principal at the New Jersey-based corporate-site selection firm The Boyd Company, while he was in town for a meeting. Boyd and his firm help businesses relocate headquarters and offices, with a client list that includes PepsiCo, PNC Bank and Pitney Bowes. He talked to the Business Journal about whether the GE effect is real, how Boston stacks up to the Big Apple, and why finance firms should want to locate as close to Elizabeth Warren as possible.



John Boyd, a corporate site selection expert with The Boyd Company.

The GE effect

Boyd said that companies are expressing more of an interest to him and his firm in relocating employees to Boston since the GE announcement, particularly technology companies and firms within the financial services sector that are already here, but weighing an expansion. (He declined to name the companies.) The GE move provides “incalculable PR value for Boston,” he said. “When GE made this historic announcement, we view that as a bellwether to really reestablishing Boston as an economy of the 21st century,” he said.

Is the Big Apple rotten?

One of Boston’s main competitors for GE was Manhattan, which was not able to reel in the conglomerate despite offering what officials have said was a larger incentives package. Even still, surely New York offers something to companies on the hunt for a new headquarters that Boston cannot? “Quite frankly, no,” Boyd said. “New York City’s a basket case.” Boyd laid much of the blame for the state of New York’s business climate on Mayor Bill DeBlasio, whom he called “probably the most anti-business mayor in the country.” He contrasted DeBlasio with Boston Mayor Martin Walsh and Massachusetts Gov. Charlie Baker, whose close relationship GE CEO Jeff Immelt has credited with helping to bring the company to the Bay State. Boston is 10 percent less costly than Manhattan — where Class A office space in the Financial District can fetch \$140 per square foot — while still offering the talent pool, world-class airport and lifestyle amenities that companies need, Boyd said.

The threat up north

While Boston has turned into a hot spot for a headquarters, back-office operations are another story. An analysis conducted by the Boyd firm found that Boston is the seventh-most expensive place to host administrative and support tasks out of the 45 U.S. and foreign locations studied.

The biggest threat for Boston's back-office jobs may be Canada, where the exchange rate is now quite favorable, Boyd said. A 125-employee back office that takes up 30,000 square feet will cost a company just over \$11 million a year in Boston for those expenses that vary from place to place, but the same operation will cost it about \$7 million a year in Montreal, the lowest cost of any North American city, according to the Boyd analysis. Quebec offers incredibly generous incentives, including a five-year personal-income tax exemption to foreigners who move to the province to work at a financial services company. Boyd pointed to State Street (NYSE: STT) and Morgan Stanley as examples of companies that have moved jobs to Montreal.

"These companies will always have a brick-and-mortar presence in Manhattan, in Boston, but for the labor-intensive operations, secondary, less costly cities are today more favored," Boyd said.

A thumbs-up to incentives reform

Boyd is a fan of Baker's proposed reforms to the state's economic development incentives programs. Among other things, Baker's proposal would give state officials an additional \$20 million per year to give to companies seen as offering an "extraordinary" opportunity to the commonwealth. Boyd views that as the type of "closing fund" to land a headquarters that states like Texas and Florida already have. "I think (Baker) realizes that the headquarters is more mobile today than ever before," Boyd said.

Don't fear the senator

Boyd said any diligent site search in the financial services sector should include the Boston area. Many financial services firms are wary of U.S. Sen. Elizabeth Warren, the Democrat known for her efforts to keep their industry in check, but Boyd said they should see the prospect of sharing a home state with the senator as a positive. Why? Access. "There's no more powerful voice on banking issues than Elizabeth Warren. She's reason enough for a company, believe it or not, to at least consider keeping a brick-and-mortar presence in Massachusetts. They'll have access to her, and at least she'll give them 20 minutes to sit down with her," he said.

Greg Ryan covers the financial services industry and law firms.