



Downtown business owners worry as Chemours struggles

Jenna Pizzi and Jeff Mordock, The News Journal, September 14, 2015



(Photo: SUCHAT PEDERSON/THE NEWS JOURNAL)

The bustle of office workers filing into the DuPont Building at the corner of 10th and Market streets each weekday morning has been a mainstay in Wilmington for decades, but with the only office tenant, Chemours, threatening to relocate its headquarters, there is fear that the building will be left empty and businesses will feel the pain.

Chemours, a spinoff of the DuPont company's performance chemical unit, has about 680 employees that work in the Wilmington office building. The building was erected in 1904 as the

headquarters for DuPont, which relocated operations on July 1, leaving the fledgling Chemours as the largest tenant and owner of the building.

Since then, Chemours has struggled to balance costly regulation and remediation expenses, and decreasing demand for its product, leaving many with a grim outlook for the company's future.

Downtown shops and delis that cater to the lunch crowd are likely to be the first to take a hit if the building goes dark. But eventually, experts say, the loss would impact other businesses and be a black eye for Wilmington's economy as a whole.

"There are going to be layoffs and the unemployment rate will tic up for small businesses in the area," said John Boyd, a consultant that advises businesses on relocation options. "It will add a tremendous burden to the city and state and get worse before it gets better."

Scott Hines, the owner of Scott's, a coffee shop and deli across the street from the DuPont Building, said he has seen his competitors close up shop over the years as employees of DuPont and other large companies left Wilmington's downtown.

"The economy got really bad and the smaller shops started to close," said Hines, who has been in business in Wilmington for 13 years. "If you could get skinny for a couple years you might make it, but there are so few of us left, we are all just basically fighting for those last little bit of scraps."

"If they leave, it will definitely hurt," said Joe Russo, who owns the Sterling Grille less than a block from the DuPont Building. "It will put a pinch on things. The initial impact would be brutal."

Hines said the exodus of DuPont employees out of Wilmington and into suburban office complexes has been slow, but he couldn't imagine what it might be like if Chemours left, too.

"With DuPont, it never really hit all at once, but I imagine that once Chemours is gone it will be a big hit for us," Hines said.

In July, company officials vowed to stay in downtown Wilmington for 18 months while they search for permanent world headquarters. However, the company would not commit to Delaware beyond that time period.

"Chemours is currently in the process of evaluating its options for its future headquarters location," Robert Dekker, a spokesman for the company.

Dekker declined to comment further about the company's stake in the Wilmington economy or the history DuPont has in the city.

The company is exploring all of its options, Chemours CEO Mark Vergnano said in an interview with the News Journal in June.

Boyd, the relocation consultant, said Chemours' departure would likely create a ripple effect going beyond the restaurants and delis that rely upon the chemical company for its lunch customers. He said nearby hotels, taxi businesses and parking garages will also feel the blow if Chemours leaves.

"It would create a difficult economic challenge," Boyd said. "Wilmington officials would need to find one strong replacement because it is not feasible to reach out to hundreds of small businesses."

The damage of a Chemours departure could also go beyond its economic impact.

"Wilmington's image will take a hit," he said.

Marty Hageman, executive director of Downtown Visions, a nonprofit focused on improving the downtown business district, said he is sure it will be a top priority to fill the building with a new tenant and new employees.

"The space is right on Rodney Square and is the premier space in downtown Wilmington," Hageman said. "Architecturally it is an incredibly attractive and important building."

In Wilmington, where 20 percent of large office space downtown is vacant, another huge, empty building is not what the city needs, Hageman said.

The building could also be repurposed into another use, like retail or residential, as so many former office buildings have been in recent years, Hageman said.

Boyd said the building may work as a technology hub or home to another industry. Bringing in an accounting or law firm from another Wilmington office building will just reallocate business to a new part of town, rather than create new economic opportunities.

"You have to be more creative than turning the building into condominiums," he said.

Chemours, which raised red flags among Wall Street analysts prior to its launch, has struggled since becoming an independent company.

DuPont burdened the fledgling company with legal and remediation costs for 190 contaminated sites across the country. The liabilities have the potential to sap as much as \$1 billion from Chemours' bottom line.

Since Chemours' launch, it has been plagued by new problems. Prior to the spinoff, DuPont laid off 5 to 7 percent of Chemours' global workforce, including Delaware employees.

Upon becoming an independent company, Chemours shuttered its Edge Moor plant outside of Wilmington as part of its strategy to cut \$350 million in costs by 2017. About 200 Delaware workers and 130 contractors could lose their jobs as a result of shuttering the Edge Moor facility.

The company's first earnings report revealed its second-quarter revenue was hampered by the reduced demand for its lead product, titanium dioxide, or TiO₂. The product is used in the paper and paint industries.



Joe Russo poses for a portrait at the Sterling Grille on Orange Street in Wilmington on Wednesday. (Photo: KYLE GRANTHAM/THE NEWS JOURNAL)

Sales of TiO₂ dropped 18 percent in the second quarter of 2015, compared to the same period last year. The weak TiO₂ market also impacted the second-quarter earnings for Chemours, which posted an \$18 million net loss.

In addition, Chemours reduced its fourth quarter shareholder dividend to \$5 million, a 94 percent drop from the \$100 million it paid stockholders this month. That new dividend works out to \$0.03 per share, down from the \$0.55 per share DuPont set for the company's third-quarter dividend.

Despite Chemours' struggles, Boyd said Wilmington officials should make an effort to keep the company in the city.

"A bird in the hand is worth two in the bush," he said. "Getting a new tenant and repurposing the building is daunting."

Delaware has offered Chemours a cash-laden package to remain in the state, according to former Delaware Director of Economic Development Alan Levin. New Jersey officials are enticing the company with a bundle of tax credits and officials with the Pennsylvania Department of Community and Economic Development declined to discuss if they've made an offer to Chemours.

Jeff Flynn, the director of Wilmington's economic development office, did not respond to a request for comment for this story.

Chemours is said to be reviewing locations in northern New Castle County, including staying in the DuPont Building, as well as spots in Salem County, New Jersey, and Delaware and Chester counties in Pennsylvania. Vergnano declined to discuss the places Chemours is considering for its permanent headquarters.

Although the DuPont company has departed Wilmington, its legacy has a lasting impact on the city.

Historian Carol E. Hoffecker, who has written more than a dozen books about Delaware and the du Pont family, said the DuPont company's decision to build in Wilmington changed the history of the city forever, making it the business center it is today.

Hoffecker said the family's decision to build their company headquarters in the city on top of a hill in a place where trolley lines would run right past, was a conscious effort to make the company the center of the downtown. A reservoir adjacent to the building was no longer needed and was developed into today's Rodney Square, an idea Hoffecker said was propelled by the du Pont family.

"Rodney Square became the town center with the library on one side, the government buildings, transportation and the DuPont Building as a central piece," Hoffecker said.

DuPont was more than just a company in Wilmington, Hoffecker said, it was the Hotel du Pont and DuPont Playhouse that made Wilmington a culturally vibrant city.

"In my generation, anybody who was anybody had their wedding reception in the gold ball room and our high school senior prom was there," Hoffecker said. "If the DuPont building had been solely for business it wouldn't have needed a gold ballroom."

But as the company looks to divest itself of the hotel, industry experts say it may be difficult because the health of the hotel is intrinsically tied to the health of the business.

William Sullivan, the former director of hospitality for DuPont and current instructor at the University of Delaware, said the hotel has already lost some business when DuPont relocated to Chestnut Run. The exact amount of business DuPont fed to its hotel is not known, the company does release financial information for the property.

“If Chemours departs, the hotel could see a pretty dramatic drop-off in business,” he said. “It would be a hit.”

Sullivan said the Hotel du Pont’s management could counteract the possible departure of Chemours by reaching out to nearby businesses. However, he cautioned small local companies will not generate the same travel needs as Chemours, an international corporation.



Scott Hines poses for a portrait outside his shop across from the DuPont Building in Wilmington on Wednesday. (Photo: KYLE GRANTHAM/THE NEWS JOURNAL)

“A local accounting firm is not going to generate a whole lot of business,” he said.

The uncertainty surrounding Chemours could have an influence on the hotel’s potential sale price, Sullivan said.

DuPont has been actively marketing the hotel since the spring. Wilmington developer Buccini/Pollin Group and a partnership lead by Vance V. Kershner are among the hotel bidders, according to sources familiar with the process.

“The projected cash flows for an empty DuPont building will be much lower if Chemours leaves,” he said.

Hoffecker said the real loss was felt when DuPont left town, but there will always be a memory of the company’s impact on Wilmington in the buildings it leaves behind.