

As a 'back-office' venue, Hartford ranks high



John Boyd, principal, The Boyd Co.

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Hartford's geography and its pool of highly educated, skilled talent have long made it a desirable locale for corporate headquarters and other front-office presences.

But Hartford also presents a compelling, money-saving case for companies to install or relocate their "back-office" operations to the city and state, according to a new report by Princeton, N.J., corporate-location advisor The Boyd Co. Back-office usually describes the non-revenue-generating administrative, data-processing, and other operational- and customer-support systems and services on which companies rely.

Relatively low office rents and other corporate operating overhead offered in Hartford and its

"ring" towns make the region an attractive option for back-office operations compared to

Boston, New York City and other major North American markets, the report said.

A hypothetical company with 125 workers in 30,000 square feet of leased space could operate roughly 15 percent cheaper — when salaries, rents, energy costs and taxes are factored in — by locating in Hartford than in Boston or New York.

Hartford's \$10.5 million in sample overhead costs for that hypothetical employer also drew favorable comparisons in the Boyd report against larger U.S. cities such as Chicago, San Francisco and Newark, N.J.

Costs to Operate a Corporate Back-Office (based on a hypothetical employer with 125 workers and 30,000 square feet of space)

Labor Costs	Hartford	Stamford	New York, N.Y.	Boston	Montreal	Springfield, Mass.
Weighted Average Annual Earnings	\$47,709	\$50,299	\$52,956	\$49,220	\$32,459	\$48,954
Annual Base Payroll Costs	\$5,963,625	\$6,282,375	\$6,619,500	\$6,152,500	\$4,057,375	\$6,119,250
Fringe Benefits	\$2,325,814	\$2,450,126	\$2,581,605	\$2,399,475	\$1,095,491	\$2,386,508
Total Annual Labor Costs	\$8,289,439	\$8,732,501	\$9,201,105	\$8,551,975	\$5,152,866	\$8,505,758
Electric Power Costs	\$156,045	\$170,057	\$146,075	\$182,482	\$47,980	\$154,692
Office Rent Costs	\$680,075	\$786,316	\$1,183,534	\$938,346	\$528,045	\$643,985
Amortization and Sales Tax Costs	\$1,293,402	\$1,293,402	\$1,300,060	\$1,293,139	\$1,316,113	\$1,293,139
Corporate Travel Costs	\$94,079	\$100,628	\$129,009	\$121,338	\$70,376	\$70,056
Total Annual Geographically-Variable	\$10,513,040	\$11,082,904	\$11,959,783	\$11,087,280	\$7,115,380	\$10,667,630

SOURCE: THE BOYD CO.

Best in region

Even neighboring Springfield, Mass., had higher annual overhead, at \$10.7 million, for the hypothetical employer. Stamford was higher still, according to Boyd data, at \$11.1 million annually.

The Boyd report offers somewhat of a counterargument to the conventional thinking that Connecticut's high costs of doing business make the state unattractive.

While the report doesn't say Connecticut is a cheap place to operate (of the 45 U.S. and international cities surveyed by Boyd, Hartford ranked 12th most expensive), it can offer companies with back-office operations a competitively-priced office environment, particularly compared to nearby, higher-cost locales.

Higher taxes and state financial uncertainty, however, could erode that advantage.

Call centers

Joel M. Grieco, executive director for office brokerage at Cushman & Wakefield in Hartford, said the Boyd survey reinforces the message commercial brokers have long tried to communicate about Hartford as a commercial relocation destination.

"They highlight exactly what Hartford's advantage can be when you talk about companies like JPMorgan and State Street, which are looking for low-cost places to relocate people while looking for a skilled workforce," Grieco said. "From an office-rent perspective, Hartford is a bargain."

Call centers, like the one CareCentrix operates downtown and the former one in Windsor operated by American Airlines, too, are back-office examples, Grieco said.

Another advantage for Connecticut is its open, embracing culture, according to John Boyd, a second-generation principal at The Boyd Co., which over the years has been a relocation advisor to a number of Connecticut companies he declined to name.

Also, layoffs that have occurred, or that are pending, at several Hartford insurers and some Hartford area banks over the years have made hundreds of skilled workers available to fill openings locally just as employers in New York and other cities are looking to relocate their back-offices, Boyd said.

Local perspective

Hartford's ranking in the Boyd survey also was no surprise to the MetroHartford Alliance's Insurance & Financial Services cluster, which actively promotes and supports that sector's economic development and jobs growth in the region.

"We've always believed that, both in the data and the anecdotes we have," said Susan Winkler, the cluster's executive director. "It's nice to have it validated."

Not only does Hartford possess a rich pool of insurance and financial-services workers, Winkler said, but Connecticut leads the nation in direct underwriting of life insurance premiums. This state, too, ranks No. 2, she said, in underwriting all other forms of insurance.

Moreover, she said, the state, and Hartford in particular, are beneficiaries of a number of academic-corporate partnerships aimed at lifting the education and training of the local workforce.

Strengthening the talent pool, Winkler said, makes Hartford even more attractive for companies and industries that can successfully leverage those skills.

"That's a competitive advantage for us," Winkler said.

Competitive challenges

A risk to Connecticut's attraction as a back-office locale compared to its higher-cost neighbors is the state's ongoing fiscal crisis and the threat of future tax increases.

According to Boyd, many of Connecticut's insurers, manufacturers and other businesses with the ability to move headquarters and operations elsewhere have been intently watching the outcome of the state's budget deliberations, with eyes on the impact to their bottom lines.

While tax increases have been avoided this legislative session, future deficits loom over the state legislature.

Boyd said his Connecticut clients were particularly worried over discussions last year about imposition of a corporate unitary tax as well as higher income levies on the state's wealthiest households.

It was concern about a unitary tax and the state's long-term fiscal health, among a host of other factors, that played a role in General Electric's decision to uproot headquarters from Fairfield and relocate several hundred highly paid, executive posts to Boston.

Hartford health insurer Aetna, which voiced dissatisfaction with how lawmakers dealt with last year's budget deficit, has also been courted by Boston.

Northern threat

Connecticut, though, had been in the running when Boston's State Street Bank and New York investment bank Morgan Stanley were eyeing new back-office locations, Boyd said. Ultimately, both chose a north-of-the-border location, Montreal, Canada, he said.

Montreal is emerging high on companies' relocation short-lists and, according to Boyd Co. data, it's not hard to see why. Quebec's capitol is almost a third less expensive than Hartford for companies to operate, when pay and benefits, rent, energy, corporate travel and other related costs are counted.

Montreal's cost index is way under those for San Francisco, New York City, Boston, even Atlanta.

"You're competing with Montreal more than you realize," said Boyd, whose father founded the location consultancy in 1975. "Montreal offers a five-year personal income-tax exemption for company managers to come from New York, Boston and Hartford."

Montreal wasn't on the site list for Opportunity Buying, a family-owned Bronx, N.Y., retail enterprise that recently announced plans to relocate headquarters, operations and about 15 workers by summer into a 56,000-square-foot Danbury building that's triple the size of its existing quarters.

"We've been looking for several years," said Opportunity Buying's Vice President Eveline Gottesman, who with her brother runs the 25-year-old enterprise that resells closeout merchandise and excess inventory. "When we found the building in Connecticut, it seemed to fill all our requirements."

The move will allow Opportunity to consolidate operations currently spread among several New York City locations into the Danbury site, Gottesman said.

The company considered New York sites in Westchester County and Rockland County, but ruled them out as too expensive, she said.

"Cost," Gottesman said, "is always a major factor when you're thinking about doing business."