

Site-selection radar homes in on ABQ, NM

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Efforts across New Mexico to attract new job-generating companies failed for some time to keep up with business closings and downsizings, creating the state's well-documented lag in the national economic recovery.

"It's the bridesmaid, not the bride," said John Boyd Jr. of Princeton, N.J.-based Boyd Co. about the perception of New Mexico as a place to locate or expand a business.

Boyd Co. is a third-party site-selection consultant to companies considering a relocation or expansion outside the comfort zone of their geographic homes. Boyd and four other veterans of the site-selection business talked to the **Journal** about New Mexico's reputation.

Pro-business was their consensus term to describe New Mexico in general and the Albuquerque metro area specifically. The state and metro regularly show up on the radar for companies planning to locate a call center or back-office operation in the Mountain time zone, they said.

That reputation is weakened, they said, by the state's lack of a right-to-work law. On the plus side, is the state's Job Training Incentive Program, a major economic development incentive that subsidizes wages for workers in new jobs.

But pro-business is a common commodity as states and metros across the country do everything they can to restore economies damaged by the Great Recession.

Site-selection consultants like Boyd play what's described as a "complex role" in how companies ultimately choose where to grow their business and, in turn, grow that the economy of that place.

"Site selection is really a misnomer. We're more about eliminating sites than selecting sites," said Susan Arledge, managing principal for site selection at the Dallas office of Cresa, a provider of integrated commercial real estate services.

"I see them as gatekeepers," said Mark Arend, editor-in-chief of Site Selection magazine, an eponymous publication of Conway Inc. with 48,000 subscribers.

"They can add a name or delete a name from a list without a site even knowing it. They have a fair amount of influence in that respect," he told the **Journal**.

"They may bring their own analytics – there are some pretty sophisticated tools out there – their own unique capabilities to the table. The consultant may bring a set of negotiation skills. They can guide a company through the incentive structure that might be in play."

Incentives for businesses to invest and operate in New Mexico have been a focal point of Gov. Susana Martinez's administration. The most common are in the form of tax cuts, tax credits and tax deductions.

A breakthrough this year was the state Legislature's approval of \$50 million for the Local Economic Development Act fund – \$37.5 million during its regular session and another \$12.5 million during last week's special session – that can be used to sweeten job-creating deals.

State Economic Development Secretary Jon Barela spent last week holding town hall discussions around the state to develop guidelines on how the \$50 million will be managed and spent. The act limits the spending to land, building and infrastructure improvements.

A week and a half ago, the New Mexico Partnership, a private economic development contractor working for the state, hosted five site selectors for a "familiarization event" in Santa Fe. Nearly 40 economic developers from around the state attended.

Information went both ways, said partnership President and CEO Steve Vierck. Economic developers gained insight on how site selectors work, while site selectors got an update on New Mexico's changing incentive framework and what different parts of the state had to offer.

"The economic development business is extremely competitive – it's not a static enterprise – and states are constantly evolving their taxes, their programs, their strategies," Barela said.

The context for these state initiatives to improve competitiveness is an economy that has had a bright spot or two, but generally has suffered from a residual recession. New Mexico had the highest percentage of long-term unemployed among all states in 2014, a new report says.

The weakness and strength of New Mexico's incentive framework are easy to identify, based on what site selectors



Customer service representative Kiel Romaniuk answers questions from a Comcast customer in the new Alorica customer service center at 4200 Osuna NE on June 8.

told the **Journal** .

The weakness is the state's lack of a right-to-work law, which prohibits closed union shops in favor of optional union membership for workers. A highly contested right-to-work law, pushed by the governor, died in the state Legislature earlier this year.

A catchphrase in site selection these days, Jerry Szatan of Chicago-based Szatan & Associates said right-to-work has become shorthand for business-friendly. Thus, New Mexico's failure to get one passed could give companies a bad impression of the state.

Enacting right-to-work laws has helped Michigan, Wisconsin and Indiana regain relevance in site-selection searches, Arend said.

The absence of such a law won't necessarily eliminate New Mexico from site searches, but it likely won't help, he said.

The absence of a right-to-work law is underscored by the fact that, with the exception of Colorado, New Mexico is surrounded by right-to-work states. Texas is both a perennial top contender for best state for business, no matter how it is measured, and a major competitor for New Mexico.

"It would be rare for somebody to say, 'Yeah, we're going to look at New Mexico, but we're not going to look at Texas,'" Szatan said.

New Mexico's strength is the decades-old JTIP, which has \$7.5 million in funding for the 2016 fiscal year to pay partial wages of new workers for up to six months. JTIP has grown particularly useful in an economy where a trained workforce is a priority, Szatan said.

In April, for example, the JTIP board approved \$2.8 million in funding to support 565 new jobs with 20 New Mexico companies.

Like all of New Mexico's strengths, however, New Mexico isn't the only state with a job-training fund, just like it isn't the only state with a large bilingual workforce, a comparatively low wage-band for workers and comparatively low overhead costs.

New Mexico can lay claim to assets with few competitors, like Spaceport America in the southern part of the state and Sandia National Laboratories in Albuquerque, he said. Corporate R&D might be drawn to those locations because of unique opportunities there, he said.

The Albuquerque metro gets the lion's share of site-selection attention because of its labor pool. Payroll is typically a company's biggest cost, thus site selectors need to ensure there's an ample supply of workers with the right skills to meet the needs of the company they represent.

"When you think of New Mexico, you tend to think of Albuquerque," Arledge said.

Albuquerque's size makes it a second-tier metro, competing on the regional level with Austin, Texas; Boise, Idaho; Colorado Springs; Tucson; and Reno, Nev., she said.

Second-tier metros are getting more attention now that the economies of many first-tier metros – generally places with NFL or other big-time sports teams – have rebounded to the point where hiring has become more competitive, Arledge



From left, Stephanie Marino of Avison Young; Susan Arledge of Cresa Dallas; and Billy Davis of Clark Street Associates participate in a panel discussion on economic development in New Mexico at a NM Partnership event in Santa Fe on June 5.

said.

The Albuquerque metro – Bernalillo, Sandoval, Torrance and Valencia counties – also has eight staffed economic development offices, nine if you include the economic development committee in Bosque Farms.

The number might imply a lot of duplication, but economic development applies to more than recruitment of out-of-state companies. Local business and community development tends to be the focus of most of the roughly 30 professionally staffed economic development offices around the state.