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Ariz. makes new push to poach California jobs

Premium content from Phoenix Business Journal by Mike Sunnucks, Senior Reporter and Patrick O'Grady, Reporter

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A new wave of businesses are looking to ship jobs out of California, and Arizona economic developers hope it won't just be back-office and warehouse operations heading east on Interstate 10.

But Arizona has plenty of competition from other Western states, as well as some Southern markets, in pursuing those California economic dreams.

More companies are leaving California because of that state's high costs and other factors businesses say are unfriendly. Valley economic developers are launching efforts to nab some of those front-office operations, such as engineering, research and development, and corporate headquarters.

The city of Phoenix, for example, will start a program in which officials will meet directly with California companies that already have operations in Arizona. [John Chan](#), the city's economic development director, said the goal is to persuade those companies to add jobs and business units here.

Chan said Phoenix wants to attract manufacturing, biomedical and financial services expansions from California, and his department has a trip set for April to get face time with executives there.

Maxwell Technologies Inc., a San Diego-based tech company, is bringing some of its R&D to a Peoria facility that will open by the end of this year. Spokesman [Mike Sund](#) said the choice was made for a number of reasons, including the area's proximity to company headquarters, lower property values and lower cost of living.

"We're pretty sure that will be a good second location for us," he said.

Scottsdale Economic Development Manager [Bob Tunis](#) said his city also is going after R&D operations, tech companies and high-paying positions.

He cited San Francisco online review company **Yelp Inc.**, which just went public, and its growth in

Old Town Scottsdale. Yelp started with 200 sales, service, marketing and Internet technology workers and is increasing that number to 500.

The Arizona Commerce Authority has placed a business recruiter in California and plans to open offices in Southern California and the San Francisco Bay Area within a few months. ACA's goal is not only to recruit businesses here, but also to help Arizona companies establish new footprints there, said ACA Chief Operating Officer [Sandra Watson](#).

In the East Valley, where Santa Clara, Calif.-based **Intel Corp.** has fabrication plants, Mesa Business Development Man-

ager [Jaye O'Donnell](#) foresees more high-tech manufacturing shifting from California to Arizona.

Re-evaluating locales

California's ongoing budget problems have sparked an examination of that state's tax credits and policies related to business.

Legislative actions, court rulings and market conditions have resulted in the dissolution of Tax Increment Financing districts throughout California. Tax revenue created within those districts was funneled back into the same geographic areas to pay for infrastructure and construction projects related to redevelopment and economic development.

[Ruben Barrales](#), CEO of the San Diego Regional Chamber of Commerce, said environmental regulations, zoning and taxes make it tough for California companies to grow there. He isn't worried about large companies moving out, but he is concerned about them expanding elsewhere.

Barrales said California's status as the world's ninth-largest economy and its population of nearly 38 million make it an economic marketplace where many businesses must have a presence. By comparison, Arizona has the 61st-largest economy and a population of 6.5 million.

A new batch of labor-related lawsuits and union actions also are hurting California businesses with industrial, distribution and warehouse operations.

[John Boyd Jr.](#), president of the **Boyd Co.**, a site selection firm based in New Jersey, said Riverside, Calif., is home to some big distribution operations for companies such as **Apple Inc.** and **Polo Ralph Lauren**, and legal actions brought by labor unions could prompt relocations to Arizona or other states with right-to-work laws.

Maricopa and Pinal counties long have attracted distribution and warehouse operations from California.

Competition heating up

Nevada also is in the hunt for back-office and distribution jobs out of California, said [Mike Hillis](#), principal for Cushman & Wakefield Commerce Solutions in Las Vegas.

Hillis said Phoenix has a larger inventory of industrial space available than Las Vegas, but Nevada has no income taxes for businesses or individuals. He also said Vegas can have other advantages for back-office and trucking operations because there is a minimal wage differential for graveyard

shifts in a city where many people work late shifts.

Like his Arizona colleagues, Hillis said he's seeing more California companies considering front-office moves to other states. Vegas is pursuing companies in the solar energy, resort and life sciences industries.

[Barry Broome](#), CEO of the **Greater Phoenix Economic Council**, said some companies need to keep a Western presence, so they might place jobs and investment in the Valley, Denver, Las Vegas or Salt Lake City.

But he is seeing more Southern California and Bay Area companies look at Southern states — with incentives and low taxes — for operations that don't need to be on the West Coast.

Southern states such as Virginia, North Carolina and Georgia have become entrenched as business locations even for California companies, he said.

"There are enough New York and Ohio people there now that you don't have to feel like you have to fly a Confederate flag in Charlotte (N.C.)," Broome said.

Mike Sunnucks writes about politics, law, airlines, sports business and the economy.