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## **Without resolution, could scandals scare business prospects from Virginia?**

BY JOHN REID BLACKWELL Richmond Times-Dispatch - February 8, 2019



*Virginia Governor Ralph Northam speaks during a press conference inside the Executive Mansion in Richmond, VA Saturday, Feb. 2, 2019. Northam, who has been under pressure to resign after a photo in blackface was uncovered on his page of a medical school yearbook, said he is not stepping down.*

The scandals roiling Virginia's political leadership could be damaging for economic development efforts in the state, one consultant who advises businesses on site selection said.

But another site selection consultant said the impact on business investments in Virginia will be limited, unless the scandals drag on without resolution.

"This certainly has very, very powerful economic development implications," said John Boyd Jr., principal with The Boyd Co. Inc., a Princeton, N.J.-based site selection firm that has advised major companies such as UPS, Boeing, PepsiCo, Visa, Hewlett-Packard and Dell.

“Businesses don’t like uncertainty,” Boyd said. “This question of what the political leadership will look like in Virginia is not something businesses react well to - both businesses already in the commonwealth and businesses considering relocations or expansions.”

When considering investing in Virginia, businesses look at a wide range of factors such as the availability and price of labor, infrastructure and the health of the economy, said Dennis Donovan, a partner with site selection firm Wadley Donovan Gutshaw Consulting LLC in New Jersey.

Those factors remain more important to businesses than whether political leaders are under a cloud, he said.

“Is a data center not going to go to Manassas because the governor is under the microscope?” Donovan said. “No, they are going to go anyway.”

Donovan said he has a current client in manufacturing looking for locations, and he does not think that client would bypass Virginia because of the scandals.

However, if the negative publicity persists, then some companies might be frightened away - particularly businesses that are “very sensitive to their brand or reputation,” including some technology firms, Donovan said.

Reputation “is essential to attract the kind of talent they need or in keeping the talent they need,” he said.

The scandals come at a particularly bad time for economic developers in Virginia because the national economy is growing and companies are looking for expansion and relocation opportunities, Boyd said.

States are competing aggressively for investment dollars, and state governments - governors especially - have taken a more active and public role in recruiting business prospects, Boyd said.

“There are so many (economic development) projects out there right now, and you (Virginia) are in a competitive fight versus the Carolinas, Georgia and Florida,” he said.

“The major theme here is the inability of the governor not only to carry out his duties as governor, but his inability to be an effective salesman-in-chief for the state of Virginia,” he said.

Both Boyd and Donovan likened the potential impact for Virginia to the corporate backlash against North Carolina two years ago when that state passed a so-called “bathroom bill” banning anti-discrimination protections for gay and transgender people.

That led to boycotts against North Carolina, including by the NCAA which refused to hold championship events in the state until the law was repealed. Another consequence was that

PayPal canceled plans to open a corporate operations center in Charlotte that would have created 400 jobs.

But Barry I. Matherly, the former president and CEO of the Greater Richmond Partnership who left the regional economic development organization in late December to take the top position at a similar group in Detroit, said he's not sure what, if any, impact the Virginia scandals might have.

"We all followed the North Carolina bathroom bill controversy... but I'm not sure it had a big impact there," said Matherly, president and CEO of the Detroit Regional Partnership.

"North Carolina was still in the top three of economic deals (among states) completed for the year," he said. "Everybody expected that companies would not go there and it would be awful, but then North Carolina was right up there and ahead of Virginia."

The major economic development victory of Northam's administration so far was internet retailer Amazon's announcement last year that it would invest about \$2.5 billion to establish part of its second corporate headquarters in Northern Virginia, creating more than 25,000 high-paying jobs over 12 years.

Had the scandal broken before the Amazon announcement, it could have been a disincentive for the company to associate itself with the state, Boyd said. "I am not sure how they could have even bargained with this governor," he said.

Amazon has declined to comment on the scandal.

Major business organizations in Virginia also have so far remained quiet about the scandals.

Barry DuVal, president and CEO of the Virginia Chamber of Commerce, did not respond to email and phone messages this week. ChamberRVA, the Richmond-area business organization, also has made no comment on the scandals.

The corporate backlash against North Carolina has since waned, and the state is "booming," Boyd said.

If Virginia faces a similar backlash, it can recover, too, he said, because Virginia still offers business prospects the same sort of benefits that have attracted investments such as Amazon's, including a well-trained workforce, a good geographic location in the Mid-Atlantic, a port, good infrastructure and a high quality of life.

Uncertainty is a major problem, though, Boyd said.

"Hopefully this cloud passes sooner rather than later," he said.