



## Tennessee Two-Step

**How a global auto giant and a Bay Area fintech firm fell in love with the Nashville region.**



*Downtown Nashville along the Cumberland River.*

by RON STARNER – July 1, 2019

Tennessee continued its push toward the forefront of the global automotive industry on June 25 when Mitsubishi Motors North America announced it will relocate its corporate headquarters from Southern California to the Nashville suburb of Franklin.

Leaving the town of Cypress in Orange County, Mitsubishi is headed to a state that in recent years has garnered significant capital investments from Nissan, Volkswagen, General Motors and other major players in the automotive world.

By choosing Middle Tennessee over Dallas and other contenders for the coveted 200 headquarters jobs, Mitsubishi becomes the latest high-profile firm to cast a major vote of confidence in the workforce, business climate, tax benefits and overall quality of life found in the Volunteer State.

“The reputation of Tennessee’s business climate and skilled workforce has attracted countless world-class businesses to our state,” said Tennessee Gov. Bill Lee, who just a week earlier met in person with Mitsubishi’s global executives while traveling as part of a delegation of Tennessee officials on a trade mission to Japan. “Over the years, Tennessee has become the epicenter of the Southeast’s thriving automotive sector, and I’m proud Mitsubishi Motors will call Franklin its U.S. home and bring 200 high-quality jobs to Middle Tennessee.”

Mitsubishi said it will invest \$18.25 million to move its U.S. headquarters to Williamson County, a decision it says will strengthen its Renault-Nissan-Mitsubishi Alliance while bringing the company closer to its sister company, Nissan, which has its own North American headquarters in Franklin, constructed about a dozen years ago.



*The full Mitsubishi Motors SUV lineup.*

“Mitsubishi Motors is changing the way we go to market in the United States, and it is leading to a rebirth of the company,” said Fred Diaz, president and CEO of Mitsubishi Motors North America (MMNA). “This is an exciting time for us, with a refreshed leadership team, new-look dealerships and redesigned and all-new vehicles. As we drive toward the future, this is the perfect time for us to move to a new home. While we say farewell to the Golden State with a heavy heart, we’re excited to say hello to Music City.”

According to a company statement, the move is part of an ongoing plan to reinvent every aspect of Mitsubishi Motors in the U.S., “from corporate leadership to dealer partners to every touchpoint in a customer’s relationship with their vehicle, and will sharpen the company’s focus on future growth and innovation.”

Since 1988, MMNA has been based in California, first in Fountain Valley and now in Cypress. The move will begin in August and is slated for completion by the end of this year. The firm will be housed in temporary space in Franklin while commercial real estate firm Jones Lang LaSalle searches for a permanent home for the company.

### **Decision Came Down to Tennessee and Big D**

The relocation comes on the heels of six consecutive years of sales gains, including the last two in which Mitsubishi secured the title of “fastest-growing Asian brand.” Part of an international conglomerate based in Tokyo, Mitsubishi Motors was founded in 1970 and today registers annual sales worldwide of \$22.4 billion. In 2018, MMNA sales increased 13.9%, the firm’s best sales growth since 2007. Jeremy Barnes, senior director of communications and events for MMNA, tells Site Selection that “we looked at a number of cities around the U.S. before settling on Franklin. Our last two finalists were Franklin and Dallas.”



*Earlier this year, Mitsubishi Motors unveiled its all-new 2020 Mitsubishi Outlander Sport SUV.*

A variety of factors sealed the deal for Tennessee, he says. “The combination of the cost of doing business, cost of living, lifestyle, climate and all the things that will make our current employee team want to move, as well as the business climate the city of Franklin and the state of Tennessee offer” were pivotal, says Barnes. “The decision was made in concert between the management teams at Mitsubishi Motors North America and our parent company in Japan, Mitsubishi Motors Corp.”

Barnes notes that state and local incentives “were part of the consideration process, but the real decision was made because of the combination” of other location factors, including the fact that “the region offered the best work-life balance and cost-of-living considerations for our employee team.”

Barnes adds that of the 200 workers in Cypress, about 60 will be offered the chance to move to Franklin. “This was obviously a very difficult decision to make, and it is absolutely with a heavy heart that we leave California — and a number of our employee team — behind,” he says.

As with most relocations, one state’s loss is another’s gain, but this one did not come easily, says Bob Rolfe, commissioner of the Tennessee Department of Economic and Community Development. “We were hard-selling all the way to the end,” he says. “A few months ago, they [Mitsubishi] reached out to us and they came to the community. Representatives from the city and chamber and state all met with them one Sunday afternoon in Franklin. That was the first time the state had the opportunity to present our case.”



*Nissan North America parks its headquarters in Franklin, the same Middle Tennessee city that just won the relocation of Mitsubishi Motors North America from California.*

The second time came in Tokyo, when Gov. Lee and Rolfe took part in negotiations with top Mitsubishi executives at the global headquarters during a mid-June visit. “A couple of the global Mitsubishi decision-makers had not spent time in Tennessee,” Rolfe says. “We were selling Tennessee on a more senior level. We had close to an hour.”

What happened next was music to the ears of Music City leaders. “The Mitsubishi board met the following Monday, and then we got a call after their board meeting that they were planning to announce they were moving to Tennessee,” says Rolfe, who indicated that it may have helped that Diaz, the top Mitsubishi executive in North America, had spent more than four years in the Cool Springs-Franklin area as a senior executive at Nissan. “He had first-hand experience in the area,” says Rolfe. “Candidly, he may be the one person inside the company that allowed the state to compete for the deal.

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**“The (Nashville) region offered the best work-life balance and cost of living considerations for our employee team.”**

**– Jeremy Barnes, Senior Director of Communications and Events, Mitsubishi Motors North America**

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While the total incentives package was not revealed at the time of the announcement, Rolfe notes that there were “very appropriate incentive dollars on the table that will offset some of their relocation costs. The state was very involved in that.”

Elizabeth McCreary, chief economic development officer for Williamson Inc., the economic development agency for Williamson County, says the whole deal came together “much quicker than most projects do. From the time we started having communications with the site consultant and the company to project announcement, it was less than four months.”

She adds that “many other communities were eliminated before they even knew about it. We were already on the short list when they notified us. It started with Jones Lang LaSalle reaching out to the state and our team. When they came to visit, it was straight to Williamson County. We hosted them in our office and did tours. We showed them both commercial and residential real estate. They were looking at the entire picture of Williamson County. They wanted to get a good sense of what the community truly had to offer.”

When asked what ultimately gave Franklin the edge over Dallas, McCreary said, “I am certain that it is our talent. We have the best school district in the state. The long-term talent source is here. We have one of the highest-educated workforces in the country. Mitsubishi knew they could hire at every level needed here in Williamson County.”

## The Center of the Auto World Has Shifted

John Boyd, principal of The Boyd Company Inc. Location Consultants in Princeton, New Jersey, says this move is not the first, nor will it be the last, such high-profile headquarters relocation to choose Tennessee.

“If the recent headquarters relocation of Wall Street’s AllianceBernstein from New York City to Nashville wasn’t proof enough, the Mitsubishi Motors decision to relocate its North American head office from Southern California to Nashville’s popular Franklin submarket clearly makes the case that Nashville is now in the big leagues when it comes to corporate headquarters attraction,” he says. “Nashville has joined the ranks of other go-go head office markets like Dallas, Houston and Atlanta.”

The implications for the automotive world are equally strong, he adds. “The center of gravity of the North American auto industry is now fully established in the Southeast U.S., with its favorable operating cost structure, positive labor-management relations and extensive supply chain linkages,” Boyd says. “Mitsubishi’s Nashville move mirrors the relocation of Toyota’s head office from California to Dallas in the sense that it signifies a major restructuring or reinventing of the company given nearly all corporate departments will relocate: sales, marketing, product planning and dealer operations.”

Mitsubishi’s move cements Tennessee as the Detroit of the South in more ways than one. In addition to Nissan, which employs more than 12,000 people in Middle Tennessee, General Motors employs close to 3,400 in Spring Hill and Volkswagen employs nearly 5,000 full-time or temporary workers in Chattanooga.



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**“The governor has asked us to keep our foot on the gas, and that’s what we plan to do.”**

**– Bob Rolfe, Commissioner, Tennessee Department of Economic and Community Development**

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Recent large-scale investments into new and expanded plants in Tennessee have brought the state’s total automotive industry workforce to 130,000. Total automotive-related foreign direct investment in Tennessee now approaches \$23 billion; and there are currently some 1,000 automotive operations spread out over 86 of the state’s 95 counties.

In addition to Amazon’s \$230 million, 5,000-job Operations Center of Excellence in Nashville (announced at the same time as its HQ2), headquarters jobs are also on the rise statewide, having grown by 37% since 2013, according to officials with the Tennessee

Department of Economic and Community Development. AllianceBernstein brought 1,050 jobs from New York, and another California firm announced last week that it's moving some of its headquarters operations from San Francisco to Nashville.

### **Fintech Firm Pencils in Nashville**

On the same day that Mitsubishi announced it was leaving Orange County, Pilot.com, a bookkeeping solution provider for startups and small businesses, announced it will create more than 450 jobs in the Nashville area over the next five years. Founded in the Bay Area by three MIT alumni in 2017, Pilot.com will locate in Nashville's Wedgewood-Houston neighborhood. The office will house the firm's account management headquarters, including finance operations and customer support teams. The firm also plans to grow its base of software engineers at the new facility.

Just two months after raising \$40 million in Series B financing, Pilot.com attributed its decision to Nashville's "growing tech and startup scene, coupled with a strong group of accounting professionals stemming from the city's accounting and financial management schools."

"Nashville was always at the top of our list of candidate locations for a second office," said Jessica McKellar, co-founder and chief technology officer of Pilot.com, which has raised \$59 million in venture capital to date. "The city has great schools, attracts incredible, diverse talent, and is making smart investments to support its burgeoning startup scene. I also know first-hand that it's a great place to live and raise a family."



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California residents who make the move to the Nashville area will find other benefits as well. According to real estate website Zillow.com, the median home price in Orange County is \$719,400, and in San Francisco County it is \$1.36 million. In the greater Nashville metropolitan area, the median home price is \$254,700.

As for the remainder of this year, Rolfe says Tennessee is far from done in recruiting. "Gov. Lee asked us to be laser-focused on recruiting high-quality, good-paying jobs to Tennessee," he says. "It helps that Tennessee is hot right now. The governor has asked us to keep our foot on the gas, and that's what we plan to do."

Will that include recruiting more California-based firms? Rolfe says that is not part of the plan. "We do not intentionally poach on other states," he says. "That is not part of our agenda. Companies in California have simply made the decision to leave the state, and we have won more than our fair share. These companies or their site consultants reached out to us. We are not going out to California cold calling or knocking on doors."