



Blue city, red state: Does Tennessee's politics pose business risk to progressive Nashville?

Jamie McGee | Nashville Tennessean | March 20, 2019

Being a blue city in a red state comes with its advantages. Nashville is able to attract companies with its vibrant entertainment industry, thriving restaurant scene, a progressive culture and a lower cost of living than larger, coastal cities — while it simultaneously enjoys the low-tax, pro-business reputation the state has developed.

"You get all the benefits of being in a pro-business, red state climate with respect to right-to-work status, low taxes, fiscal discipline," said New Jersey-based site selector John Boyd. Meanwhile, the "Nashville brand (is) being an inclusive city, a progressive city, a city that is attractive to a millennial workforce, a city that is able to attract and retain the best talent from around the globe. ... It's really a winning formula."

But the blue city-red state dynamic is not without challenges. In addition to facing regular efforts to nullify or weaken new city laws from Republican state lawmakers, Nashville city and business leaders also risk feeling the brunt of state legislation seen by some as discriminating against LGBT individuals. Such bills could turn off progressives considering a Nashville move or drive away prospective business and revenue.



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"You have this inclusive, welcoming city of Nashville trying to do all it can to attract and retain workers," Joe Woolley, CEO of the Nashville LGBT Chamber, said. "The state really pushes back on that."

A handful of bills proposed this year are on the radar of several companies moving to Nashville and those considering expansion or relocation to Tennessee, Woolley said. They see the bills as discriminatory and potentially harmful to recruiting talented workers to Tennessee.

One bill calls to recognize marriage only between a man and a woman. Another allows adoption agencies to avoid lawsuits if they refuse to place a child based on moral convictions, which could affect same-sex couples as well as others seeking to adopt a child. A third adds new language to a law about indecent exposure that originally referred to transgender individuals and restrooms, even though current law already covers all adults in public places.

While these bills don't necessarily present a "doomsday scenario" for company recruitment, they could make efforts more difficult, Boyd said.

"A lot of that could create unnecessary obstacles for your economic development professionals," Boyd said. "People invested in the economic development success of Nashville would hope that these bills do not pass."

Tennessee has 'dodged the bullet' — so far

Nashville's cultural amenities and economic development focus have helped it attract companies in the tech and finance sector in recent years and draw numerous expansions from companies headquartered on the coasts, areas long associated with progressive politics. In the past five years, several California-based companies, including KeepTruckin, IQTalent Partners, Wonolo, Eargo, Lyft, Eventbrite and Postmates, have opened sizable Nashville offices.

Most recently, New York-based AllianceBernstein chose Nashville for a new headquarters, London-based EY announced a new Nashville office, and Seattle-based Amazon committed to opening a new Nashville office that is expected to employ 5,000 workers.



Amazon's Nashville operations center images released

"Especially in target sectors like technology, banking and finance, the corporate headquarters arena, that's an area our clients are focused on," Boyd said. "They want to be in areas that are consistent with that theme of being inclusive and friendly to top talent around the globe."

Boyd said Tennessee "dodged the bullet" when its proposed bathroom bill failed to gain traction or widespread media attention in 2016 and 2017. The bill would have required students in public schools to use the bathroom corresponding with the sex on their birth certificate. In 2016, North Carolina passed a similar bill that also restricted protections for LGBT individuals and saw significant economic losses reaching \$3.76 billion over a 12-year period, according to an Associated Press analysis. The bill has since been partially repealed.

Boyd said Raleigh is a North Carolina city that has been able to maintain its business appeal. It was named as a finalist for Amazon's second headquarters, but it also was overlooked for Apple's recent expansion. Boyd also compared Nashville's blue city scenario to Austin, located in very red Texas, which was chosen for a major Apple office in December.

"Texas has had its fair share of conservative social policies in recent years," Boyd said. "That has not mitigated or slowed the growth we have seen."

Costs to Tennessee

In 2016, the Tennessee legislature passed a counseling bill allowing therapists to deny clients based on "sincerely held principles," a law deemed discriminatory to LGBT clients by the American Counseling Association. The state lost three bookings and \$3.4 million in direct visitor spending as a result of the bill, according to the Nashville Convention & Visitors Corp. Eleven bookings decided to choose another city because of the counseling bill, costing the state more than \$66 million.

A Tennessee business coalition formed in 2016, called Tennessee Thrives, to counter discriminatory policies that could harm the economy or reputation of the state, including the bathroom bill, according to the group. More than 450 business organizations joined.

The Nashville Area Chamber of Commerce has taken a position against the "Tennessee Natural Marriage Defense" bill filed this year, describing it as unnecessary after the U.S. Supreme Court ruled on this issue in 2015. The chamber also is opposed to any bathroom bills related to transgender individuals.

"Unnecessary, unneeded discriminatory legislation really just provides a distraction from the good things going on in Middle Tennessee," Lee Harrell, the chamber's state policy vice



A gender-neutral sign is posted outside bathrooms at Oval Park Grill on May 11, 2016, in Durham, N.C. In 2016, North Carolina passed a bathroom bill that restricted protections for LGBT individuals and saw significant economic losses reaching \$3.76 billion over a 12-year period, according to an Association Press analysis. The bill since has been partially repealed. Sara D. Davis, Getty images.

president, said. "Anything that is going to hinder or distract from Middle Tennessee being a very welcoming and open state for business is troubling. It's not that we think businesses will look at these bills as the factor on whether or not to expand or relocate, but certainly as a factor. ... We encourage policymakers to think about the long-term effects and the importance of Tennessee being a welcome and open state."

Businesses scoping out Nashville are most concerned about finding the right workforce, though companies do consider legislation and culture related to inclusiveness, Nashville Area Chamber of Commerce CEO Ralph Schulz said. Companies have never walked away because of legislation, but the state has so far avoided passing legislation that damaged the "open and friendly" brand of Tennessee, he said.

"Businesses come here for a variety of reasons," Schulz said. "They also want a workforce to follow them to these areas. To the degree that this form of legislation affects workforce, they are concerned."

Rep. John Ragan, a Republican from Oak Ridge who sponsored the indecent exposure bill and a second bill concerning adoption, has said he is not concerned about the business impact if the bills are passed and is more focused on protecting religious freedom. Rep. Tim Rudd, R-Murfreesboro, who is sponsoring the still-active adoption bill, did not respond to

questions about the business implications of his bill.

"It is important that we encourage and retain adoption agencies in Tennessee," Rudd said in an emailed statement. "Freedom of religion is one of the founding principles of our nation, and House Bill 836 protects the rights of our faith-based child placement agencies, supporting their efforts as they work tirelessly to help more Tennessee children through the adoption process."



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While the Tennessee Thrives coalition garnered massive business support, few companies are willing to individually comment on specific legislation or Tennessee politics. AllianceBernstein recently joined with the Tennessee Equality Project and other groups to speak out against three bills proposed but declined to be interviewed further.

Several other companies declined to comment at all on how the political environment in Tennessee affected their business recruitment or location plans.

The muted response is not surprising, Boyd said. Even when North Carolina dealt with legislation restricting protections for LGBT individuals, many of the conversations were behind the scenes or through joint statements.

"A company really has no benefit to really go out on a limb in any way that is not coordinated and part of an overall communications or branding strategy," Boyd said. "Companies want to be as neutral as possible. They don't want to be in the business of making enemies on the right or the left. Companies need to hire Republicans and Democrats; they need to sell their goods and services to Republicans and Democrats."

While city business leaders and recruiters said the issue of discrimination and relevant legislation comes up in recruiting conversations, the office of Tennessee Economic & Community Development Commissioner Bob Rolfe disagreed.

Jennifer McEachern, a spokeswoman for Rolfe, said in an emailed statement that Rolfe had not discussed proposed legislation with any companies and that those conversations typically are not part of relocation and expansion conversations. She declined to respond to whether AllianceBernstein had asked related questions.

"Those topics are typically not a part of the discussion during the recruitment process; however, we are more than willing to answer questions or address any concerns a company might have as it considers Tennessee for its next project," McEachern said.

Woolley said that in addition to AllianceBernstein, Amazon and EY are among other companies that have been in touch with the LGBT chamber about state-level politics. Businesses often ask him whether the bills that concern them actually stand to be enacted.

"Should we be concerned? Is it just politics or is it something to be worried about passing?" Woolley said. "They always cite North Carolina."



Rep. Tim Rudd has sponsored a bill that would allow adoption agencies to avoid lawsuits if they refuse to place a child based on moral convictions.



A rendering shows the office building AllianceBernstein will occupy in the Fifth + Broadway project. AllianceBernstein recently joined with the Tennessee Equality Project and other groups to speak out against three Tennessee bills.

Whether these bills will become law is uncertain. Schulz said proposed bills that are perceived as discriminatory are not necessarily a problem, but those that become law can become one.

The defense of marriage bill has a fiscal note potentially exceeding \$9 billion in a fiscal year related to legal fees, potential loss of federal funds and loss of state revenue. It has failed to move forward since February, when it was moved to the Senate Judiciary Committee and assigned to a House subcommittee. The indecent exposure bill and adoption bills advanced in a subcommittee March 13 and will be heard in a House committee March 20. The indecent exposure bill passed with an amendment that no longer included references to transgender individuals.



North Carolina has rolled back its "bathroom bill" in a bid to end the backlash over transgender rights that has cost the state dearly in business projects, conventions and basketball tournaments. (March 30)

The marriage and adoption bills have caused the greatest concerns to businesses, Woolley said.

"You are looking at trying to bring people to relocate from San Francisco or New York," Woolley said. "The tech industry is trying to recruit and grow here. You have universities trying to attract. You have this very discriminatory adoption language that is stopping people from moving with their families to a state that would impose these."

Perceptions of Nashville shift

Jeff Haithcoat, director of acquisitions and growth at the Vaco recruiting firm in Nashville, said companies including Warner Music and AllianceBernstein have asked about state legislation, but on the individual level, the questions are more general about city culture.

"They tend to focus more on questions like, what's the restaurant scene like, or what's the cost of living or what's the community in general," Haithcoat said. "People want to know when they move somewhere they can be part of a community. Are there going to be people like me, whether that's race or religion or sexual orientation."

While Nashville may have been lumped together with other Southern and more conservative areas in the past, that is not the case today, Haithcoat said.

"Even 10 years ago there was probably more of that, preconceptions of Nashville being uber conservative, very Republican," Haithcoat said. "Nashville, especially in the last five years, has gotten the reputation of being very welcoming, very progressive-minded."

Similarly, Robert Half recruiter Eric South said he has not observed Nashville struggling with perception issues as a result of being in a socially conservative state.

"In the past six months, we've had people relocate here from the New England area, we've had people that have relocated from out west and California, we see a lot from the Midwest and Chicago," South said. "Nashville is distinct compared to some other parts of the South. It's a transplant city."