



Schwab is moving its headquarters. Will other S.F. companies follow its lead?



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By Staff – San Francisco Business Times
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Local business and economic leaders say Charles Schwab Corp.'s plan to move its headquarters to Dallas highlights a deepening disquiet among San Francisco businesses about taxes and costs, the political and business climate here and a failure to tackle issues like homelessness and housing.

"I think it says something about what people perceive as the political environment in California," said Ken Rosen, chairman of the Fisher Center for Real Estate & Urban Economics at UC Berkeley. "San Francisco has become an antibusiness place with its new taxes and policies like Prop. M limits, and its inability to deal with homelessness and car break-ins. It's pretty embarrassing and I'm very worried about our future."

Schwab is the third major company in the last 14 months to reveal plans to move its headquarters out of the city, following similar decisions by McKesson Corp. and Core-Mark. It is no coincidence that the destination for all three has been the Dallas, Texas, area, said relocation specialist Joe Vranich.

Vranich, the author of the report "Why companies leave California," estimated that Schwab's overall costs would be 30% to 35% lower if it moved all operations from San Francisco to Dallas.

Schwab said it intends to keep a substantial San Francisco presence and will shift only a few jobs from here to there. Vranich thinks that's unlikely to hold true in the long term.

"I can tell you in general, a company starts by moving a portion of their workforce to a new area to establish a footprint there," he said. "Experience says once a footprint is established, companies will continue to move more and more jobs to the attractive location."

Schwab has about 1,300 employees in San Francisco out of a companywide total of almost 20,000. It has focused growth almost exclusively outside of San Francisco in recent years to lower-cost areas like Denver and Austin as well as Dallas. It has said its Dallas-area campus could eventually hold up to 7,000 people.

San Francisco officials said they are more focused on the jobs that are staying here than those that might move to Texas.

"While we are disappointed to see a homegrown international brand depart as part of this deal, we're encouraged by their plans to keep a large employee base within the city and look forward to working with them closely in the years to come," said Joaquín Torres, director of San Francisco's Office of Economic and Workforce Development. "Decisions like these reinforce our need to stay focused and committed to a strong and stable business environment so all of our business sectors can start, stay and grow in San Francisco."

Governor Gavin Newsom's chief economic and business advisor, Lenny Mendonca, stated that Newsom and his team bring "an appreciation for partnership with the private sector to build a high road economy that has inclusive and sustainable growth." Mendonca did not provide further details about the governor's efforts to retain other major companies still headquartered in California.

Despite the confidence expressed from the governor's office, Rosen expects further departures.

"We're seeing a lot of companies moving to Texas and even tech businesses are starting to migrate to places like Salt Lake City or Nashville," Rosen said. "We thought we were invincible, but if you make it hard and unaffordable enough, growth will happen elsewhere.

"Number one is the affordability of the labor force and the affordability of housing. One of the biggest questions facing businesses is 'can we get enough real income for our labor force?'

"Number two is the tax situation, California is the highest-taxed place in the country today by a lot and you have additional corporate taxes in San Francisco."

There has been speculation that Wells Fargo, which has moved jobs to Charlotte, North Carolina, and recently appointed a new CEO who will work out of its New York office, could also be in line to move its headquarters. And Uber, which was also founded in the city, said it August it will build a general and administrative hub in Dallas, raising the specter that it, too, could head to the Lone Star State someday. A spokesman said Uber has no plans to move its headquarters, but other companies have made similar pronouncements only to change course later.

John Boyd, principal at the Boyd Company, who has provided headquarter site selection counsel to several Fortune 500 companies, said the community of Westlake — the future home of Charles Schwab — is a very interesting location in that it is small, full of gated communities and loaded with celebrities and former professional athletes. Boyd said companies used to be more reluctant to move their headquarters to a different state in the past, but now they are doing so as a kind of refashioning of the brand.

"There is a cache with Westlake," he said. "It's one of the nation's premier suburban markets."

Boyd said the new location would likely save the company tens of millions in operating costs annually. "In this new era of zero commission trading, it's all about being in a lower cost environment," he said.

Schwab's move wasn't that surprising, said Rufus Jeffris, vice president of communications at the business advocacy organization Bay Area Council, as the company has signaled its dissatisfaction with aspects of the region in recent years.

Regardless, Jeffris said the Bay Area Council still believes in the Bay Area as a location for economic growth and job creation. He said misperceptions exist about the Bay Area's business climate, though this does not excuse the tremendous issues the region faces regarding housing, homelessness and transportation.

Still, Schwab's move signals to the Bay Area Council that it must redouble its efforts to push for more structural changes in Sacramento — especially around housing and transportation — to help right the perception of California as a sinking ship.