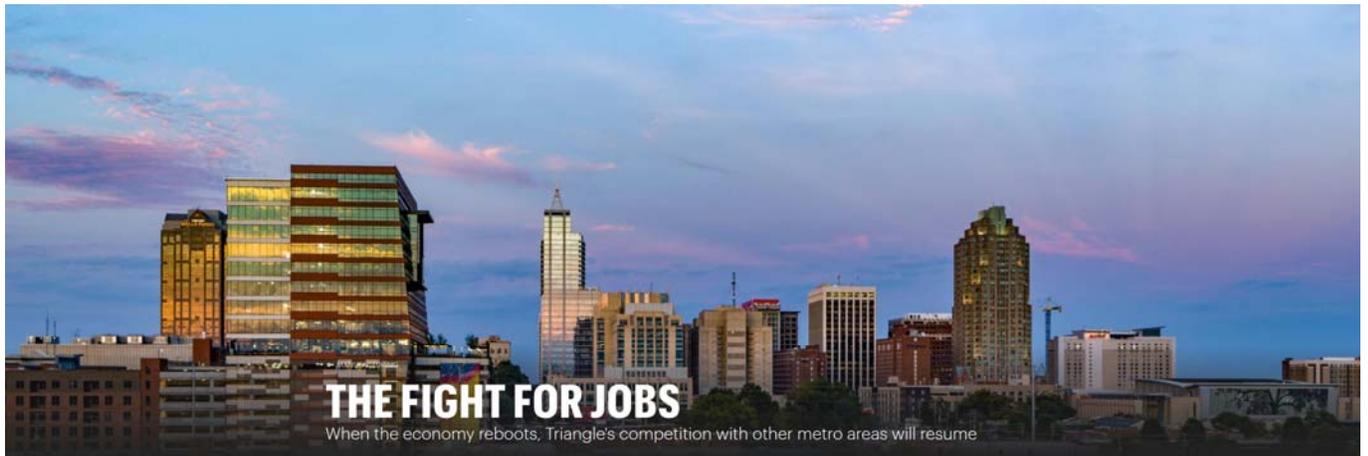


TRIANGLE BUSINESS JOURNAL



Raleigh and the Triangle have faced stiff competition from other metros when it comes to the battle for jobs. That fight will likely continue in the wake of the pandemic.

By Lauren Ohnesorge – Senior Staff Writer, Triangle Business Journal
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On April 8, amid the full-scale spread of the coronavirus, David Morken, CEO of Raleigh's Bandwidth Inc., announced the 20-year-old networking technology company had bought about 40 acres in Raleigh for a new corporate campus.

Once built, nearly 1,200 jobs will be added in the next eight years.

Bandwidth counts Google, Microsoft, Cisco Systems and Zoom among companies that use its networking technology. So obviously, when more than 90 percent of the nation's 350 million people are asked to stay home, Bandwidth's products and services have become essential commodities as video, audio and data traffic across the internet reaches stratospheric levels.

It was the economic development announcement during the coronavirus scare that caught people by surprise. But the good news traveled far and wide across Wake County and beyond as officials welcomed the jobs-boosting news – especially when 22 million jobs vanished from the nation's payrolls in less than about a month.

“Any positive economic news right now brings value,” says John Quintero, principal at Chapel Hill-based South by North Strategies, a research consultancy firm specializing in economic and social policy.

Changing landscape

While Bandwidth, a homegrown company, also considered splitting the expansion between Denver and Rochester, New York, four cities and regions have primarily competed for new jobs with the greater Raleigh area for much of the past decade: Atlanta; Nashville, Tennessee; Austin, Texas; and the northern Virginia/Washington, D.C., corridor.

While each area has its strength and challenges, the economic development victories for these areas in the recent past give a glimpse of who may be ready to tackle the world of economic development beyond COVID-19.

And some economists say the economic development game will be played differently.

“The answers to many of our economic questions lie in one of the country’s most-valued assets: innovation,” says John Coleman, an economics professor at the Fuqua School of Business at Duke University. “This (pandemic) renews our faith in innovation – that’s the engine that makes America run.”

Coleman emphasizes the U.S. will come up with new plans after the threat of the coronavirus is extinguished, but it will take time. “We are going to go through a period of uncertainty, and that may last until we get a vaccine (to treat the virus),” he adds.

For the Triangle to be prepared after restaurants and bars open and the area’s economic developers are once again chasing projects and jobs, the look of that chase is going to be different.

Companies may not be seeking big corporate campuses. They may be interested in a majority of employees working remotely. Some workers may not want to relocate to places where the population is dense after watching weeks of horrible images from New York City.

But as Quintero points out, that could be a dangerous trend, too. “If the traditional economic development projects dry up, so will several other sectors in a community,” he says, adding a corporate headquarters adds hotels, restaurants, gyms and grocery stores to an area’s economic base. “There certainly will be a trickle-down effect.”

Public policy is another element of the question post-COVID-19. Given the federal government’s \$2.2 trillion economic shot to the economy, state and local governments may actually play a more aggressive role in recruiting companies with taxpayer money.

In one month (March 16 to April 15), North Carolina lost almost 600,000 jobs, and Duke's Coleman points out many of those jobs will never come back.

So communities are expected to fight harder for every project, and the incentive-game may reach historic levels.

But incentives have played a big role in the fight for corporate growth in the Southeast.

Role of incentives

Incentives offers started going out in January 2019 for a massive, 700-job facility, as Wegmans Food Markets was looking at sites for a distribution center and had narrowed its list to North Carolina and Virginia. Documents released by the N.C. Department of Commerce show an aggressive pursuit, which included a \$6.2 million offer by Granville County plus undisclosed state incentives.

But by the end of 2019, Wegmans picked Virginia anyway. The \$175 million project will be in Hanover County, just north of Richmond.

"Everybody worked extremely well to try to win this thing," Harry Mills, economic development director for Granville County, would say when it was all over. "I think it just came down to some variables that were really out of our control."

In North Carolina's constant fight for jobs, there are many wins – to the tune of more than 2,100 jobs already in 2020, records show. But there are losses, too, and it often comes down to those "variables," says Tom Stringer, head of the site selection and business incentives practice at BDO.

"If you talk about overall cost and competitiveness, it's a competitive state relative to the rest of the country," he says, adding that the state's real advantage is in its university-driven talent pool. "But talent is not the sole issue that people are looking at. It's obtaining the best talent at the appropriate cost."

And the major projects – take massive auto assembly plants or even the Amazon HQ2 project that North Carolina pursued – can come down to volume. Stringer points to Atlanta, long a source of manufacturing wins and a place that can beat the state every time in volume. He says the Triangle often fails against cities such as Austin, Texas and Nashville, when it comes to "hipness factor."

"It's just going to come down to specific parameters of each project," Stringer says, advising that the state keep pushing out the narrative about educational skillsets. "That's an in-house advantage."

But it's also one other markets are pursuing. In Atlanta, for example, Eloisa Klementich, president and CEO of Invest Atlanta, says there are already advantages – namely when it comes to its

Fortune 500 companies. But Atlanta isn't resting on past successes – it's changing things up in 2020 by actively pursuing certain niches, such as fintech, an area where North Carolina has been competitive in years past.

“About 70 percent of the world’s financial transactions pass through Atlanta,” she says. “Combine that with the airport and you’ll probably all touch Atlanta.”

Calling her area’s pipeline “very strong,” she says another economic development strategy the market is pursuing surrounds “middle-wage jobs,” at between \$40,000 and \$80,000.

HOW THE STATES COMPARE

Here are some of the major economic wins from 2019 for five states across the Southeast that often wind up in competition with each other for development prizes.

NORTH CAROLINA Selected corporate facility projects in 2019

	Employees	Investment (US \$M)
Lowe's Companies, Charlotte	1,600	153
Mountaire Farms, Siler City	1,250	170
Merck & Co., Durham	391	650
Bharat Forge, Sanford	304	170
Pfizer, Sanford	300	500



GEORGIA Selected corporate facility projects in 2019

	Employees	Investment (US \$M)
Norfolk Southern, Atlanta	850	575
PVH Corp., Palmetto	575	78
Invesco, Atlanta	500	70
Kroger Co., Forest Park	400	55
Goodyear Tire, Newnan	250	140



TENNESSEE Selected corporate facility projects in 2019

	Employees	Investment (US \$M)
Smile Direct Club, Nashville	2,010	217
Volkswagen Ag, Chattanooga	1,000	800
FedEx Corp., Memphis	689	44
JNJ Express, Memphis	610	84
Mueller Water Products, Kimball	325	41



VIRGINIA Selected corporate facility projects in 2019

	Employees	Investment (US \$M)
Volvo Group NA, Dublin	777	400
Morgan Olson, Danville	703	58
Kinsale Insurance, Richmond	400	50
Pharm. Product Dev., Richmond	200	64
Litehouse, Danville	160	46



TEXAS Selected corporate facility projects in 2019

	Employees	Investment (US \$M)
Steel Dynamics, Sinton	600	1,900
Navistar International, San Antonio	600	250
Chime Solutions, Dallas	500	160
Texas Instruments, Richardson	488	3,100
Hailiang Copper Texas, Sealy	250	165



The Triangle also faces competition with its neighbor to the west, Charlotte. But site selection expert John Boyd of the Boyd Company shrugs that off. He says Charlotte's failure to make the Amazon HQ2 final list, coupled with the "cleaning house" of its economic development organization, "says a great deal about the Triangle's relatively high level of success within North Carolina in the dog-eat-dog battle for new corporate investment and jobs."

Post COVID-19, the Tar Heel State and these areas have to up their economic-development game significantly since there will be far fewer expansion deals and hesitation among business owners to relocate their operations and employees given anxiety levels in our society.

Here's a demographic look at the four areas across the Southeast and the South that competed with North Carolina for several major economic development projects.

Austin, Texas



Austin's combination of arts and innovation has put the city on the map.

The city of Austin touts itself as a world leader in technology, innovation, energy workforce development, music and creativity.

Among its biggest attributes? Its workforce, at nearly 1.2 million people as of 2018.

According to the Austin Chamber of Commerce:

- The region has more than 50 colleges and universities within a 100-mile radius;
- its information workforce totaled 33,000 as of 2018; and

- its manufacturing workforce totaled 60,300 as of 2018. The region also competes when it comes to wages.

The region also competes when it comes to wages. The Austin MSA boasted average annual salaries of \$40,070 in 2018.

And it has had some major wins in 2019. Amazon decided to hire 800 new technology workers in Austin.

The company, which had already created more than 22,000 jobs in Texas and invested \$7 billion in the state, said it planned to expand its Austin Tech Hub and create jobs in software, hardware engineering, research science and cloud computing.

“With a strong pool of technical talent in Austin and a dynamic quality of life, we are excited to continue to expand and create more opportunity in this vibrant city,” Terry Leeper, general manager of Amazon’s Austin Tech Hub, said at the time.

Nashville, Tennessee



Nashville's relatively low cost of living makes it an attractive market.

Like Raleigh, it’s constantly in the conversation for major tech players.

Home to more than 1.9 million people and more than 40,000 businesses, the greater Nashville area boasts of a diverse economy, low costs of living and a creative culture.

According to the Nashville Area Chamber of Commerce, the workforce is what makes Nashville competitive, as 22.2 percent of Nashvillians have at least a bachelor's degree.

But demographics the organization points out shows competitive livability:

- Nashville ranks lower in the cost-of-living index than many other major players; and
- Nashville salaries average about \$48,370.

Pendo, for example, considered Nashville before picking Raleigh for its 590-job expansion. So did Ipreo for its last 250-job expansion.

But Nashville has scored some major wins, such as a 5,000-job Amazon operations hub and AllianceBernstein.

Atlanta



Atlanta's global airport makes the city a player on the world stage.

Atlanta dominates many of its Southern cohorts when it comes to sheer market size. And it boasts of the busiest airport and a Delta Air Lines hub which, when not in a COVID-19 crisis, connects throughout the globe.

Hartsfield-Jackson Atlanta International Airport typically serves 150 U.S. destinations and more than 75 international destinations in 50 countries.

In 2019, Atlanta added 19 companies through Invest Atlanta's business attraction efforts and those 19 companies generated 2,261 new jobs and \$621 million in the local economy.

As of 2018, Atlanta has a population of more than 498,000, and nearly half of its residents had a bachelor's degree or higher, according to the U.S. Census Bureau. The metropolitan area has almost 6 million people.

But another real advantage rests in the businesses already in Atlanta – including 26 on the Fortune 500/1000 list headquartered in the metro, generating aggregate revenues of \$415 billion, according to the Metro Atlanta Chamber. And it is a frequent “Best State for Doing Business” in Site Selection Magazine.

Northern Virginia/Washington, D.C., suburbs



The Washington, D.C., and northern Virginia region features 60 institutions of higher learning.

The Northern Virginia area – proximate to D.C. and encompassing multiple cities from Alexandria to Manassas – is the most densely populated region in the Commonwealth. It includes:

- six counties;
- five cities;
- more than 100 U.S. and global corporate headquarters;
- 10 Fortune 500 companies;
- 60 higher education institutions; and
- the highest concentration of bandwidth in the world.

And its proximity to D.C.'s policymakers – as well as its airports – are cited as a big boon. Like North Carolina, Virginia has a right-to-work law that allows for the right to work, no labor union required.

And its tech workforce is a particular asset, as more than 21,400 high-tech establishments operate in the state.

The region boasts of a workforce of more than 1.4 million, as of 2018.

In addition to the area's mammoth Amazon HQ2 win, other recent economic development successes include Nestle moving its headquarters to Arlington and Micron adding a \$3 billion expansion to its Manassas operation.

Duke's Coleman is quick to point out the competition among states for jobs and projects will ultimately depend on when the public health crisis takes a back seat with the economic challenges of the country.