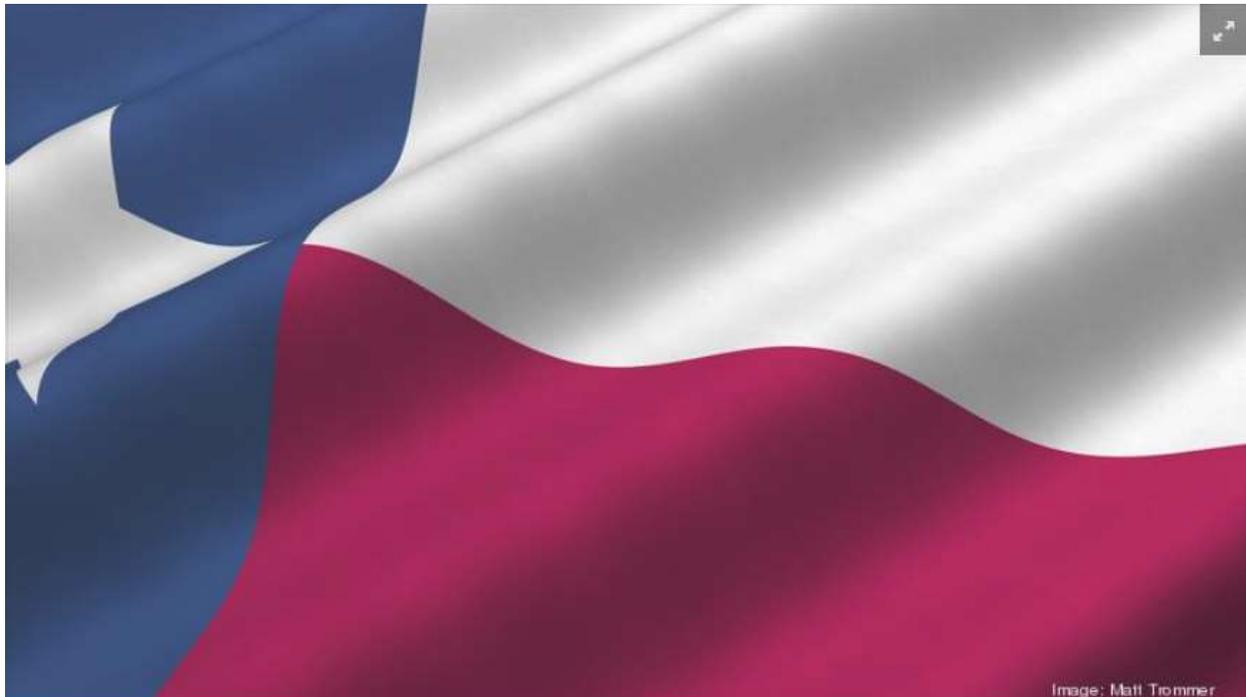




San Francisco's proposed business-tax hikes draw cheers — in Dallas



Economic recruiters in the Dallas-Fort Worth area see plenty of opportunity to attract Bay Area businesses, with tax hikes looming on the horizon here.

By Mark Calvey – Senior Reporter, San Francisco Business Times
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As the Bay Area business community reacts to measures that would boost taxes in San Francisco and across California, the prospect of making it more costly to do business here is welcome news among those seeking to attract the region's companies to Dallas.

“I have deep concern about the myriad of taxes going on the ballot and the effect this could have on the decision of San Francisco companies to relocate all or parts of their operations,” said Jim Wunderman, president and CEO of the Bay Area Council.

“Taxes equal Texas,” Wunderman said, reflecting the growing concern in the Bay Area business community over about a half dozen proposals to raise taxes or create new levies on businesses in San Francisco. That’s on top of statewide efforts to remove Proposition 13’s protection on property-tax increases for commercial and industrial property and talk of an annual “head tax” on each employee working at large companies in California as the state tries to cover costs stemming from Covid-19.

“It appeals to some of the worst tendencies of California lawmakers to approach the need for revenue by increasing taxes, which is not a winning formula for economic development,” said John Boyd Jr., a principal at The Boyd Co., a site selection consulting firm that works frequently with companies looking to move, often to the Dallas-Fort Worth region. “There’s an anti-corporate sentiment. There’s almost a populist tenor to these tax measures.

“The rush by California lawmakers, and this plays into what Mayor London Breed and San Francisco’s Board of Supervisors are doing, looks like swarming sharks in a bloody feeding frenzy. From an economic development perspective, that’s not a good look,” Boyd said.

“These tax proposals could not be coming at a worse time,” said Boyd, who says it’s likely that Tesla’s headquarters will be the Lone Star State’s next economic prize from the Bay Area

In Dallas, economic recruiters are drawing up their game plans to attract Bay Area companies growing weary of the Golden State’s tax burden.

“Every time California is looking at new tax structures or adjusting the cost for employers to do business, we do see an uptick in calls and people inquiring what the opportunities are in the Dallas area,” said Jessica Heer, senior vice president of talent attraction and leadership for the Dallas Regional Chamber.

She said it goes beyond taxation.

“When you look at all the laws and regulations in California and you compare them to Texas, it’s the Encyclopedia Britannica compared to a pamphlet,” Heer said. “There’s just a lot more freedom to do business in Texas.

“Anytime you increase taxes on employers, they’re going to start looking,” Heer said.

So when will she be heading to the Bay Area for her next economic-recruiting trip?

“As soon as I’m clear for takeoff,” she quips.

She and her team make an annual trip to the Bay Area the week after Thanksgiving. This year, that trip will be a few weeks after Bay Area residents vote on a bevy of business taxes. She's anticipating a warm welcome as the region's employers weigh their options. It's also a good time of year for economic recruiting as companies wrap up one year and plan for the next.

"We never have a slow holiday season," Heer said.

Efforts to lure companies to the Dallas-Fort Worth region, and to keep them there, can sound like an alternate universe to those in the Bay Area.

Take, for instance, this month's unanimous vote by a Dallas suburb to approve an economic incentive to attract another Fortune 500 headquarters to Irving, home to Las Colinas, where McKesson's San Francisco headquarters moved to last year, joining seven other Fortune 500 companies in that city.

Irving has agreed to reimburse 75% of all taxes paid on an office building through June 30, 2038, if the property attracts a Fortune 500 headquarters and other conditions are met.

"Negotiations are currently underway with a company to occupy the 1925 W. John Carpenter Freeway property," Beth Bowman, president and CEO of the Irving-Las Colinas Chamber of Commerce, told me.

Bowman's tight-lipped when it comes to details of the Fortune 500 that Las Colinas has on the line, but she's eagerly fishing for more Fortune 500s to relocate to the city that dubs itself the "headquarters of headquarters."

Nearby Plano is also angling for corporate headquarters, to join Frito-Lay, FedEx Office and Toyota's North American headquarters that call Plano home.

"We have a couple of large, anonymous companies out of the West Coast at this point," Sally Bane, Plano's director of economic development, said referring to early site searches.

Bane talks taxes fluently.

"You can't look at what's occurring right now in isolation," Bane said of cities and states raising taxes to pay for budget shortfalls amid Covid-19. "You have to look at the context of the stronger and longer history of the imposition of new taxes and increases in payroll tax or gross receipts tax.

"Those are things that have been ticking along, accumulating and rising in California for a long time. It's the basis often of companies to reconsider where they're located," Bane said. "Companies are sensitive to the cost environment, which has made all of Texas a very desirable opportunity."

Since winning JCPenney's headquarters in 1987, Plano has been going full throttle on investing in strong schools, libraries, parks and public safety to attract even more companies.

None of that comes cheap, so are tax hikes on the agenda in Plano, as in San Francisco?

"We've lowered our tax rate three years in a row," she said, noting that businesses pay 52% of the city's property taxes. "The rule of thumb is that the commercial sector, and the contribution it makes to a tax base, really pays for the kind of services that a resident benefits from and has access to."

While prospective tax hikes in San Francisco often place a spotlight on Fortune 500 headquarters leaving the city, Texas recruiters are also eyeing the region's fast-growing smaller companies. San Francisco fintech Fundbox chose Plano last year for a new office.

"It's just a function of addition. One plus one plus one and you keep adding and pretty soon you have a significant cluster and muscle in that industry sector," Bane said of the value of attracting Fundbox.

Amid the feeding frenzy to attract Bay Area businesses, Wunderman at the Bay Area Council knows that companies leaving the region means more than lost jobs and the tax revenue and opportunities that go with them.

"This is personal to me," Wunderman said, recalling childhood memories of his mother going back to work as a receptionist at JCPenney's New York headquarters before the retailer moved to Plano. "She was not a fan of Plano, Texas, because it took her job. It was the last job she ever had."