

# CHARLOTTE BUSINESS JOURNAL

## Recruitment rebuild

Economic development landscape has changed with city in charge



By Ashley Fahey – Real Estate Editor, Charlotte Business Journal – June 18, 2021

In early 2018, Charlotte infamously did not make a short list of the final 20 cities vying for Amazon’s HQ2 — at the time considered to be one of the largest economic development prizes in modern history.

Amazon publicly said Charlotte did not have enough tech workers.

But Tracy Dodson — an executive with developer Lincoln Harris at the time of the Amazon quest — accepted the job to lead the city’s economic development department in part because she saw broader issues with that recruiting effort.

“I saw what was put in for Amazon HQ2, and Charlotte wasn’t putting its best foot forward,” said Dodson, who is an assistant city manager. “How do we put our best foot forward, and how are we telling the Charlotte story?”

Dodson was hired to lead economic development in April 2018. Several months later, the Charlotte Chamber and the Charlotte Regional Partnership merged to become the Charlotte Regional Business Alliance. Both moves represented a material shift in how economic development and recruitment deals are done in the city and the greater region.

Since Dodson’s appointment, her department has grown in staffing and budget. And the city is now running recruitment deals for Charlotte, working alongside the Alliance, which is more focused on the greater region and lead generation.

The shift has paid off.

In the past three years, nearly 14,000 new jobs have been brought to the city of Charlotte via official economic development expansions and relocations.

Some of the major wins:

- Fortune 100 industrial conglomerate Honeywell International Inc. moved its headquarters from New Jersey to Charlotte in late 2018, with plans for 750 jobs and \$153 million in investment.
- Mooresville-based Lowe's Cos. Inc., a Fortune 50 retailer, in 2019 picked Charlotte for a tech hub with 1,612 new jobs and more than \$150 million in capital investment, including a new office tower in South End.
- Centene Corp., a Fortune 50 health-care company based in Missouri, committed to hiring for 3,237 jobs and investing \$1 billion in Charlotte in mid-2020, amid the Covid-19 pandemic.

While a local government running recruitment deals may be unusual, Dodson tells her staff and others to embrace those differences.



*From left, Tracy Dodson, assistant city manager and economic development director, and Fran West, assistant economic development director and business recruitment and retention leader, are pictured inside the Charlotte-Mecklenburg Government Center. Melissa Key/CBJ*

“Municipalities really don’t get into the business recruitment deal other than incentives,” Dodson said. “But we’re not like anyone else. We’re unique to ourselves, and everybody owns that because it’s brought us a lot of success.”

This change comes at a time when Charlotte — and the Sunbelt region — has increasingly landed on the national radar.

About 121 people move to the Charlotte metro area every day, according to recent U.S. Census data. Companies are tracking population migration trends, and the demographics of those moving in and out of cities, to find people to hire.

Broadly, the city is viewing economic development as a tailored, customized approach for each company instead of one-size-fits-all. And many times, hot buttons for corporate clients on the hunt are things government can influence, Dodson said.

John Boyd, principal at site selection company The Boyd Co. in Princeton, New Jersey, said successful economic development needs the steak and the sizzle. The steak includes factors like low costs of doing business and a favorable regulatory environment.

The sizzle is effective leadership.

“I think sometimes it takes a major event to shake things up,” Boyd said. “The HQ2 performance was maybe sort of a wake-up call, to streamline an organization and to hire the best people to work in concert with the government entity.”

Company leaders want to feel they have a seat at the table, Boyd said. And a seamless experience is critical in the business of site selection.

Prior to the merger, site selectors reported being unsure of which local group to work with and who had the final say in deals. Turf battles between various organizations were not uncommon.

“There was a risk in the city approaching it this way,” said Darlene Heater, executive director at University City Partners. “It’s a risk that has paid off. It’s paid off for University City, it’s paid off for uptown, South End, Ballantyne, the east side, the west side. It has been a risk that was well worth taking.”

Michael Smith, president and CEO of Charlotte Center City Partners, said the new system represents a modernization of economic development strategy and approach, which he said happened at the best possible time.

“There’s something really healthy about disruption,” Smith said. “We fundamentally disrupted every part of our economic development system. We got good leaders to the table, hired incredible talent and this group of people is committed to operating like one system.”

Here are some ways economic development and recruitment have evolved in Charlotte in the past three years.

## REAL ESTATE

Real estate brokers report being busier than they've been in a long time. It's a welcome relief after 2020, when deal flow all but shut off because of the Covid-19 pandemic.

While changes to recruitment strategy are credited among brokers as one reason for new interest, Charlotte's maturation as a city has also raised its profile. Other longtime advantages continue to play a role: Charlotte Douglas International Airport's hub status, a favorable tax climate, cost of living, even the weather.

"It's hard to put your finger on one thing," said Bryan White, managing director of JLL Carolinas' tenant consulting team. "So many of these corporate headquarters relo projects that we've all worked on in the past five to seven years, you felt like you were in second place. A lot of times these days, you're not in second place."

Chris Schaaf, JLL national director and managing director of the tenant representation group at JLL Carolinas, said he also feels companies perceive Charlotte as now having the scale and workforce to support major projects. In years past, that wasn't necessarily the case.

Office space absorption in Charlotte has been among the strongest in the country for several years, he added.

"I don't want to imply that we're fielding calls daily, but we're getting questions from companies that have 30 people today and want to grow to 300; or one person here today and want to grow to 800," Schaaf said.

White and Schaaf, with other JLL brokers, have worked on office space deals for relocations or expansions that include USAA, Truist Financial Corp. and LendingTree.

White said he believes Dodson and Fran West, assistant economic development director and business recruitment and retention leader, have been catalysts in bringing more deals to Charlotte.

"With Tracy having such a strong background in real estate, I think she understands how all of the pieces have to come together," White said. "She can speak toward those pieces and align all of the multiple factors: real estate, head count, what corporations need."

During a recent site visit with a prospect, the tour was scheduled to finish in South End, in a parking lot where the 23-story 110 East tower will be developed. Company executives would head to the airport right after.

"I said, 'We cannot end a tour in a parking lot,'" Dodson said. "They built out this whole platform and spent a lot of money to do it right. It's those relationships that we've tried to build with the real estate community."

Where a company lands in Charlotte varies widely.

But there's no question South End has landed a big share of recent high-profile economic development deals: LendingTree, Lowe's and USAA, to name a few. Honeywell and Robinhood Markets opted for space on the edge of uptown, just outside of South End.

White said not only has South End seen success but micromarkets in and near South End — lower South End and the area branded as FreeMoreWest — are landing on the radar of big companies.

The type of investment to support that influx of job growth is also changing. "We're seeing more and more institutional investors and developers come in with ideas about how to take on projects that, historically, they haven't been as interested in (doing) in Charlotte," Schaaf said. "This whole dichotomy of South End and uptown and our whole urban core, we kind of could talk about five years ago. But now everybody in the country knows about it."



*Construction continues on Centene Corp.'s East Coast headquarters in the University area, as seen here in March 2021. Melissa Key/CBJ*

## **WORKFORCE**

Amazon may have had concerns about Charlotte's tech workforce. But in less than three years, the tech talent issue — or, perhaps, the story around it — has been resolved.

Seemingly every economic development announcement in Charlotte has "tech talent" attached to it. West Coast fintech company Credit Karma, for example, said last month it would plant its

East Coast technology hub in Charlotte with 600 new hires, building on its existing office here. That same week, San Antonio-based USAA said it would bring 750 jobs to Charlotte — many in technology roles.

“The data and analytics area is clearly one we believe Charlotte has an opportunity to offer talent in,” said Andrew Walker, chief administrative officer at USAA. “We operate digitally, so talent that covers the entire digital spectrum will be talent that will be attractive to us.”

Walker said while there are a number of roles that will be sought in Charlotte, tech positions will be among the key roles to be hired locally.

Pat Teague, chief human resources officer at USAA, said the company is always reviewing new locations and Charlotte was selected because of its availability of financial services employees. She said there are about 100 USAA employees in Charlotte today.

USAA did not pursue incentives for its expansion into Charlotte.

A recent analysis by LinkedIn ranked Charlotte No. 3 among metros with the highest net migration of tech workers between May 2020 and April 2021, during the height of the pandemic. The data analyzed was based on net migration per 10,000 existing workers with at least 2,000 gross flows.

Charlotte saw net inflows per 10,000 technology workers of nearly 146. It ranked behind only Austin, Texas, and Nashville, Tennessee, on those metrics.

Not only are people coming to Charlotte — including educated younger workers, many with tech degrees — new sources of investment appealing to specific industries like tech are now eyeing Charlotte.

“Venture capital dollars are identifying markets with high in-migration markets, a cluster of major academic institutions, low taxes and business costs,” Boyd said. “Charlotte is in the mix like never before, competing with Austin, Denver, Nashville, Miami.”

## **INCENTIVES**

In 2019, the city of Charlotte launched a pilot program to identify potential hurdles in its approach to incentives. Economic development officials hope to propose a formal policy this fall, two years after the pilot launched, West said.

But the new initiatives have already changed how incentives are distributed to companies looking to expand or relocate in Charlotte.

Credit Karma, for example, is adding 600 jobs here in the next several years, with an average wage of \$156,600. It would have only qualified for a three-year, 50% reimbursement grant under the old model, West said. That would have been worth about \$30,000.

The company is eligible to receive up to \$186,000 from the city of Charlotte — a seven-year, 90% grant — under the revised policy. The state of North Carolina, which requires local incentives participation to put forward a Jobs Development Investment Grant, has offered up to \$21 million to Credit Karma.

The new model is no longer reliant on a company investing \$30 million to qualify for the 90% reimbursement. Among other factors, it takes into account number of jobs, expected wages and investment, and it requires two of those three to be fulfilled.

Part of the change was prompted by the fact that many companies today entering a new market opt for coworking space to scale up, instead of committing to a permanent office with a heavy real estate investment. Considering the seismic changes to how and where employees will work in the future because of the pandemic, the close tie between incentives and real estate investment may be further disrupted.

“If you’re bringing a lot of jobs and you’re bringing good wages, then I’m able to reimburse you,” West said. “When you go in an office building, the chances of you dropping more than \$30 million, you’ve got to be doing some serious upfit.”

Mecklenburg County did not offer incentives to either Credit Karma or Robinhood. For the latter, the city offered \$157,726 in exchange for nearly \$12 million in investment and 389 jobs, with an average wage of \$76,450.

Peter Zeiler, the county’s economic development director, said those deals would have likely qualified for Mecklenburg incentives but both were operating on a very short timeline. The county has a different, frequently lengthier, process in evaluating incentives that requires multiple closed sessions with commissioners.

Zeiler said Mecklenburg made tweaks to its business investment grant program in 2018, in response to commissioners’ desire to attract investment to more challenged areas of the county.

“We created business investment opportunity areas and defined some areas that, through a variety of markers, are disinvested in, or don’t have the same investment profile as the rest of the county,” Zeiler said. “In those areas, we would offer a 90% (grant).”

He said while a multinational firm going into uptown is making a significant investment, a 90% grant is less likely to be issued to them by the county than, say, a manufacturer taking an obsolete building on the west side, rehabbing it and providing jobs to that area of town.

For electric vehicle manufacturer Arrival's microfactory at West Tyvola Road and Billy Graham Parkway, the city of Charlotte offered a 90% grant up to \$657,094 with a seven-year term. The county offered a five-year, 90% grant of \$906,824.

## **INFRASTRUCTURE**

In March 2020, when Charlotte was recruiting Centene, it became apparent from conversations with CEO Michael Neidorff that being able to develop a campus quickly would be a priority, Dodson said.

"We started making sure permitting and land development knew (and asked) what are the hurdles to getting a shovel into the ground?" she said. "(Centene was) announced on July 1; by Dec. 31, they had already poured four floors."

She said having economic development and recruitment folded within city government means she has the ability to convene multiple people and departments that, frequently, must coordinate on deals her team is working on.

Centene said last summer it would bring more than 3,200 jobs and \$1 billion in investment to University Research Park. It was — at the time — the biggest economic development deal in North Carolina history.

But with lots of jobs and investment also comes lots of infrastructure impacts — especially in University City, a submarket already challenged with heavy commuter traffic and growth.

Mallard Creek Road and a bridge over Interstate 85, connecting Research Drive to J.W. Clay Boulevard, were identified as key infrastructure projects related to Centene's campus.

Heater said talking with the city about what infrastructure commitments could come along with an influx of so many jobs — from Centene and other projects — was critical. "We had asked (Charlotte Department of Transportation) how do we figure out which investments in road infrastructure are going to pay off the most?" Heater said. "Let's really understand where we need to put money to better manage growth here, so we're not putting a piece of Scotch tape over a gaping hole."

By conducting a study with the city, University City Partners could have more coordinated conversations about where improvements were needed to accommodate job growth.

Similar to the land permitting conversation ahead of winning the Centene deal, Dodson said because of the city's economic development role, coordination can also occur with departments like CDOT; Charlotte Area Transit System; planning, design and development; Charlotte Water; and others about infrastructure.

It's not just roads. Heater said infrastructure that includes bicycle and pedestrian infrastructure, as well as 5G, are just as important to talk about during recruitment conversations.

"Centene was a behemoth project," Heater said. "We were able to dig in and get some meaningful things done. We have a lot of catch-up to do, but we have a plan."

### **Marketing plan gets RNC boost**

The city economic development department is rolling out a marketing campaign called #MeetCharlotte.

The city received a \$1 million grant from the CLT 2020 Host Committee to develop and launch the campaign. It's being done in partnership with the Charlotte Regional Business Alliance.

The grant comes from the Republican National Convention's Charlotte host committee, which had raised millions of dollars for a convention that never happened because of the Covid-19 pandemic.

The campaign will target decision-makers, the commercial real estate industry and site selectors. Eventually, the program will be rolled out nationally.