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Charles Schwab to give up SF headquarters in \$26 billion TD Ameritrade deal



Roland Li - Nov. 25, 2019



A pedestrian walks by a Charles Schwab office in San Francisco on Wednesday. Headquartered in SF since its founding, the company plans to move its headquarters to Texas after its acquisition of TD Ameritrade.

Charles Schwab announced Monday it would acquire rival stock brokerage TD Ameritrade in an all-stock deal worth \$26 billion.

As part of the transaction, the combined companies expect to move their headquarters to the Dallas-Forth Worth area.

Charles Schwab has been headquartered in San Francisco since its founding in 1971, while TD Ameritrade is based in Omaha, Neb.

“We're deeply disappointed about it,” said Jay Cheng, public policy director at the San Francisco Chamber of Commerce. “We probably will lose significant taxes.”

Schwab has been building a massive campus in Westlake, a northern suburb of Fort Worth, with room for up to 7,000 employees.

The company said Monday that “a small percentage of roles may move from San Francisco to Westlake over time, either through relocation or attrition. The vast majority of San Francisco-based roles, however, are not anticipated to be impacted by this decision. Schwab expects to continue hiring in San Francisco and retain a sizable corporate footprint in the city.”

Founded by Sacramento native Charles Schwab, the company joins a wave of older corporate titans fleeing San Francisco. Medical distributor McKesson, one of the largest companies in the world by revenue, moved its headquarters to Irving, Tex. in the past year. Bechtel, the engineering firm that built BART, also left San Francisco.



Charles Schwab is buying rival TD Ameritrade for \$26 billion, a blockbuster deal accelerated by disruption in the online brokerage industry.

Cheng of the Chamber of Commerce said San Francisco's unpredictable tax policy, high housing and office costs, transit problems and challenges around homelessness and crime were driving away businesses.

Company founder Charles Schwab personally donated \$100,000 to oppose 2018's Proposition C, which raised the city's gross receipts tax on large companies' revenues above \$50 million to help fund homelessness services. The measure passed. Another major Prop. C opponent, payments processor Stripe, said last month it will move its headquarters to South San Francisco, citing the lack of office space.

California's corporate tax rate is 8.84%, and San Francisco has additional gross receipts and payroll taxes, while Texas has a 1% gross receipts tax on corporate income over \$1 million. Westlake, where Schwab is moving, has no additional corporate taxes, said Ginger Awtry, the town's director of communications and community affairs. Texas also doesn't have personal income taxes.

Awtry said employers are attracted Westlake because of its picturesque rolling hills and open space, along with easy access to Dallas-Fort Worth International Airport.

"They exhale when they drive into Westlake," she said. "It's a little oasis."

The affluent suburb has a median home price of \$1.8 million — even higher than San Francisco, she said. But housing costs are far lower in the Dallas area, with the average apartment costing \$1,224 per month, according to listings website Rent Jungle. San Francisco's average rent is \$3,870, according to Rent Jungle.

Schwab already has 2,300 employees in the Dallas area, nearly twice as many as the 1,200 workers it has in San Francisco. TD Ameritrade has its own office in a Dallas-Fort Worth suburb called Southlake. Schwab has 19,800 employees worldwide, and TD Ameritrade has over 9,000.

San Francisco's economy is still booming, despite corporate departures, with unemployment at 2% and near a record low. But the city has lost finance sector jobs as the tech economy has surged. The Bureau of Labor Statistics says the number of finance jobs fell from 45,716 in 2008 to 41,882 last year, as tech jobs more than quadrupled from 22,108 to 97,486 over that timeframe.

Cheng said the city's reliance on one sector could make the economy more volatile and poses risks during a recession.

In late 2016, Charles Schwab renewed its 417,266-square-foot San Francisco headquarters lease at 211 Main St. near the Embarcadero for 10 years. Charles Schwab subleased 315,000 square

feet at nearby 215 Fremont St. to fitness wearables company Fitbit as Schwab downsized in the city. Google has since leased more of the building and plans to buy Fitbit.

Charles Schwab is the city's fourth-largest finance tenant, behind Wells Fargo, First Republic Bank and Bank of America.

TD Ameritrade has a small presence in San Francisco, with retail branches at 551 Kearny St. and 525 Market St. and no major offices, according to real estate brokerage data.

TD Ameritrade's biggest offices are its 685,000-square-foot headquarters in Omaha, Nebraska, along with outposts in Town and Country, Mo.; Jersey City, N.J.; and San Diego. Its Southlake, Texas, office is less than 10 minutes' drive from Schwab's Westlake campus.

Schwab recently cut commissions on most stock trades to zero, matching some online rivals and putting pressure on established competitors like TD Ameritrade.

"Schwab needs a lower-cost environment in this era of no-fee commissions," said John Boyd, founder of Boyd Company, a consulting firm that helps companies choose headquarters locations. Boyd estimates that the Texas move could save Schwab 10 to 15% in operating costs compared to San Francisco. He wasn't involved in the Schwab deal but previously did work for TD Ameritrade around call centers.

Bay Area tech companies including Apple and Uber are also expanding to Texas, though they continue to grow in California.

"Dallas does an excellent job advocating itself as an emerging information technology hub," Boyd said. "This really puts a microscope on California's business climate."

Boyd said the question for corporate migrations was, "who's next?"