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Why a Wells Fargo headquarters relocation out of S.F. could be a timely move



The Charlotte skyline could one day include Wells Fargo's headquarters, said site selection consultant John Boyd Jr. MELISSA KEY



By Mark Calvey – Senior Reporter, San Francisco Business Times

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Wells Fargo's roots run deep in San Francisco with its founding in 1852 to handle all the gold coming out of California during the Gold Rush. But times change.

The San Francisco bank's largest employment center has blossomed in Charlotte since it bought troubled Wachovia Bank in 2008. More recently, the bank's power base has left San Francisco under the leadership of new CEO Charlie Scharf, who is based in New York.

"It would almost be malfeasance if Wells Fargo executives did not consider leaving California," John Boyd Jr., principal at The Boyd Co., a site selection consulting firm in Princeton, N.J, told me. "One of the big stories in the business cycle over the past several years has been the dramatic migration of wealth and business from high-tax states like California, New Jersey, New York and Connecticut to lower-tax states."

Since Scharf took the helm at Wells last October, he's brought on board several senior executives, most of whom are based in New York or Charlotte.

I asked Wells Fargo Thursday whether the bank has plans to move its headquarters from San Francisco, and if not, what factors are keeping its home base here.

"Wells Fargo will continue to be headquartered in San Francisco," a Wells Fargo spokesman said. "The company has a nationwide footprint, a nationwide customer base, and a workforce of 263,000 dedicated to serving our customers and communities during these challenging times and beyond."

But a corporate headquarters move for Wells Fargo could simply be a matter of issuing a press release announcing its new hometown, a fact that holds true for several Bay Area-based companies.

"The corporate headquarters is one of the most mobile areas of the corporate structure today," Boyd said.

But even if a headquarters relocation is no longer a big ordeal, it's still a big deal.

"Companies no longer view the headquarters as simply housing its talent and real estate," Boyd said. "They view the headquarters site selection process as an opportunity to rebrand the company and recalibrate its image in the marketplace."

Wells Fargo is eager to "recalibrate its image" as it seeks to recover from a series of scandals that first came to light in 2016 when the bank agreed to regulatory fines for opening deposit and credit accounts without customers' authorization.

So if Wells were to move its headquarters, I asked Boyd where he thought the bank's headquarters would land: Charlotte or New York?

"Charlotte makes a lot of sense," Boyd said. "North Carolina is on a roll, with Charlotte being one of the most successful banking markets today."

Boyd cited Charlotte's lower-tax environment, business-friendly climate and international air connections as factors making the nation's second-largest banking center an attractive option.

The Bay Area has long been a high-cost, highly regulated place to do business, with three Fortune 500 companies in the last year moving or announcing plans to move their headquarters from the Bay Area: Charles Schwab, McKesson and Core-Mark Holding Co. All three companies moved to the Dallas region as part of a larger Bay Area exodus.

But Boyd cautions that now Covid-19 will play a role in the headquarters-location calculus.

"Covid-19 has put a spotlight on how uniquely vulnerable major cities are with compromising 'continuity of operations' — those are big buzz words in site selection today," Boyd said, adding that he's seeing new momentum for suburban expansions and relocations.

Then there's the burden of Covid-19 on densely populated regions like the Bay Area, and the bills that come with fighting the virus.

"The sad reality is that California, New York and New Jersey will emerge from this Covid-19 crisis in budget-crisis mode," Boyd said. "There's discussion of a federal bailout. A lot of companies don't like that type of uncertainty.

"One of the concerns among our clients in states that have been heavily hit by Covid-19 is tax increases," Boyd said, adding that public-pension obligations are now getting extra attention in site selection decisions.

"That's why a lot of lower-tax states with positive business climates have been so successful in increasing the number of corporate headquarters, because it's in line with fiscal prudence to be headquartered in a state that's not in a fiscal crisis.

"There are silver linings to a post-Covid-19 environment," Boyd said. "One of those will be a return to back to basics. Positive state business environments will matter. It will be more difficult to camouflage high tax situations in a post-Covid 19 environment."