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Dallas Fed chief: Businesses ripe for Texas to steal

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It's time to start stealing, says the president and chief executive of the Federal Reserve Bank of Dallas.

Not money, mind you, but talent. And jobs.

Texas is one of the few big states not flat on its back from the recession. Using its greener pastures as a selling point, the state should "go out and steal everything we can from the rest of the country," says Dallas Fed boss Richard Fisher.

"That means stealing the best brains from places that are depressed, like Rhode Island and Michigan and California," he said. "Jam them into what I call the triangle, which is Austin-San Antonio, Dallas, Houston."

And why not snag some choice employers, while we're at it?

"We ought to be out recruiting every business we can," Fisher said. "No one wants to operate a business in California anymore. Nobody."

So far, Texas has a milder recession than the rest of the country, a jobless rate well below the national average and a brighter forecast than many other regions have. The state's relative health might help it attract corporate bosses and recession refugees alike when the economy improves, according to economists, economic development officials and site selection analysts.

To be sure, the going's apt to be slow in the short term, with credit tight and the economy stuck in a severe recession.

And of course, it's an exaggeration to say no one wants to do business in California, with its enormous resources of industry, financing and education – and an economy that's larger than those of most countries.

"As a global leader in innovation and entrepreneurialism, California has a competitive advantage in tough economic times like we are currently experiencing," said Mike Bowman, a spokesman for California's Business, Transportation and Housing Agency. "The state's strength lies in the size, diversity and adaptability of its economy as well as in the talent and range of its population."

Much the same goes for Michigan, New York, New England and other places where businesses face a bad economy, high costs or both.

"It's a case-by-case basis," said Mark Arend, editor of *Site Selection* magazine, which tracks corporate expansion decisions. "For some companies, it may make all the sense in the world to relocate to Texas. But for others, it may not make any sense."

Texas has a cluster of large cities, a web of transportation links and relatively low costs – a rare combination in the rest of the country.

John Boyd, a business location consultant in Princeton, N.J., toted up the expense of operating corporate headquarters in 55 cities and found that Dallas had the second-lowest cost after Phoenix.

That may give North Texas and the rest of the state a leg up in the current environment, said Boyd, who heads up the Boyd Co.

"Comparative costs are white-hot issues in corporate boardrooms right now, and it's largely because of global considerations and the current recession," he said. "Texas enters this environment with a very attractive position. Your costs are generally low, by national standards."

On the other hand, the recession is slowing down some expansion projects, as many companies struggle to find financing or simply focus on survival.

Employers looking to move operations from such states as California, Florida and Arizona – poster children of the housing bust – might have employees who would be hard-pressed to sell their homes.

"We are still seeing a nice volume and a nice number of projects in the pipeline," said Mike Rosa, vice president of economic development at the Dallas Regional Chamber. "But the movement of projects through that pipeline is a little slower than usual."

David Brandon, an executive with Dallas-based location advisory firm Site Selection Group LLC, says he is working with several companies considering investments in Texas.

"We're working on four or five really large projects, in manufacturing, in alternative energy, in medical devices," he said.

Texas incentives

After a nationwide site search and with Site Selection Group as an adviser, Medtronic Inc., a medical technology company headquartered in Minneapolis, announced plans last month to build its new diabetes therapy management and education center in San Antonio.

The center, which is scheduled to open this summer, could hire up to 1,400 people over the next five years. It will complement an existing operation in California, where 2,200 people work.

Medtronic chose San Antonio for its quality of life, availability of skilled employees and local costs of doing business, said Steve Sabicer, a Medtronic spokesman.

Plus Gov. Rick Perry threw in a \$6 million grant from the Texas Enterprise Fund, while local officials offered incentives worth about \$8 million.

"The deciding factors were that San Antonio had all of those key criteria that we were looking for and that they could work with us to ensure our expansion facility was opened as quickly as possible,"

Sabicer said. "That's where the incentives came into play."

Texas faces plenty of competition, of course. Site selection analysts say other nearby states are becoming increasingly effective competitors, in part by dangling incentive packages of their own.

"I don't spend one minute of my day thinking about how I'm going to beat Texas: that's for football and hairdos," said Natalie Shirley, Oklahoma's secretary of commerce and tourism.

"I think people are interested in a state like Oklahoma, with an unemployment rate of 6.2 percent, because they think, 'Those folks must be doing something right, and I want to be on a winning team.' "

Texas' jobless rate was 6.7 percent in April. The national average was 8.9 percent, which rose to 9.4 percent last month. (May jobs data for Texas is scheduled to be released Friday.)

A people magnet

Local population growth slowed during the 12 months ending in July 2008, when the Dallas-Fort Worth area gained nearly 147,000 people. That was enough to lead all U.S. metropolitan areas in absolute population gains, but it was less than the number gained in the comparable period a year earlier.

Moreover, last year's job gains have turned into losses this year, providing little incentive for job seekers to move here.

As the economy recovers, however, the area is likely to turn back into a magnet for people and jobs.

"If past is prologue, and I think it will be, we will see a renewed migration of people and businesses into Texas and in particular the Dallas-Fort Worth area," said Bernard Weinstein, a University of North Texas economist. "It will be a combination of push factors in the most distressed areas of the country and pull factors in places like Texas."

Let the stealing begin.

COST OF DOING BUSINESS

Annual operating costs for corporate headquarters in selected cities:

City	Cost
New York	\$27,422,280
San Francisco	\$26,544,688
Los Angeles	\$25,260,954
Chicago	\$24,596,578
Boston	\$24,310,001
Philadelphia	\$23,600,250
Washington, D.C.	\$23,537,358
Seattle	\$23,474,465
Denver	\$22,218,658
Houston	\$21,848,365

Dallas	\$21,582,913
Phoenix	\$21,404,754

NOTE: Figures do not include compensation for top executives. Costs are estimated for a hypothetical 75,000-square-foot headquarters with 300 employees.

SOURCE: Boyd Co.'s BizCosts.com

WHERE THE JOBS AREN'T

April unemployment rates in the 10 most populous states:

State	Unemployment rate
Michigan	12.9%
California	11%
North Carolina	10.8%
Ohio	10.2%
Florida	9.6%
Illinois	9.4%
Georgia	9.3%
Pennsylvania	7.8%
New York	7.7%
Texas	6.7%

SOURCES: U.S. Bureau of Labor Statistics; U.S. Census Bureau