

Atlanta No. 2 for low HQ costs

By Jill Lerner

Atlanta is the second-least-expensive city in which to operate a corporate headquarters, according to a new report comparing 30 major U.S. markets.

Only Las Vegas offers a better bargain than Atlanta, according to the report by The Boyd Company Inc., a Princeton N.J.-based location consulting firm whose clients include PepsiCo Inc., JPMorgan Chase & Co., Hewlett-Packard Co. and Time Inc., among others.

New York City is the most expensive place to operate a headquarters, followed by San Francisco; Stamford, Conn.; Boston; and Bergen County/northern New Jersey.

"Atlanta is well-positioned to be highly competitive," said consultant John Boyd Jr., who added that his clients routinely consider Atlanta when evaluating sites.

"In today's cost-sensitive business climate," the report says, "comparative economics are ruling the corporate site selection process. For many companies, improving the bottom line on the cost side of the ledger is much easier than on the revenue side. As a result, location decisions at every level of the corporate organizational structure are being made with cost minimization as an overriding objective."

Operating costs far outweigh the importance of "incentives" in a company's decision of where to locate a headquarters office.

"Operating costs are increasingly important with respect to where a company is going to put its headquarters," Boyd said.

The study's findings are good news for Atlanta, which ranks third in the nation among cities with the most Fortune 500 headquarters, 12. With public companies increasingly concerned about shareholder value and private equity owners eager to optimize efficiencies, the findings suggest Atlanta could be primed to add headquarters following the recent acquisitions of Georgia-Pacific Corp., BellSouth Corp., Scientific-Atlanta Inc., Gold Kist Inc. and Internet Security Systems Inc.

The 30 cities surveyed by Boyd Co. all have populations of 2 million or more and are home to regional concentrations of Fortune 500 companies. Researchers scaled operating costs to a hypothetical 55,000-square-foot headquarters facility employing 350 nonexempt workers.

The Boyd Co. found New York to be the most costly city to operate a corporate headquarters, at \$28 million annually.

Among the least-expensive cities, Las Vegas' costs totaled \$22 million a year and Atlanta's totaled \$22.4 million. Rounding out the five least-expensive cities were Phoenix, Dallas and Miami/Fort Lauderdale.

Interestingly, a Boyd Co. survey of executives from Fortune 1000 companies found that headquarters-specific "incentives" don't even crack the top five in a list of most important drivers of corporate headquarters site decisions.

No. 1 was a business-friendly tort system, followed by low or lack of corporate income tax, low or lack of personal income tax, business-friendly labor laws and low property tax rates. Incentives were the sixth-most important factor.

In 2005, at the urging of business leaders, the new GOP majority in the state legislature enacted comprehensive tort reforms that catapulted the state into the top 10 the following year on a new study of tort liability by the Pacific Research Institute of San Francisco.

Asked about Atlanta's traffic, Boyd said it is not a top factor, like operating costs or taxes, yet is a "big negative."

"Atlanta has one of the worst reputations with respect to traffic and congestion in the country." But there are trade-offs with every location, and there is no perfect location, he said.

"Another big negative with Atlanta is ice storms," he said. "Atlanta, although it doesn't get a lot of snow, gets a lot of bad weather."

While operating costs may be an increasingly large factor in corporate headquarters decisions in the future, several executives -- including the head of Newell Rubbermaid Inc. -- said that consideration did not top the list when their companies moved to Atlanta.

"Operating costs were pretty far down the list of considerations," said Mark Ketchum, president and CEO of consumer products giant Newell Rubbermaid Inc. (NYSE: NWL), which moved its headquarters to Atlanta from Freeport, Ill., in 2003.

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"Much more important were metro Atlanta's diverse and eclectic population, deep talent pool, strong local communities, global transportation access and overall quality of life."

Ketchum said Newell Rubbermaid considered many cities for its headquarters, including some larger and smaller and he said the state of Georgia's incentive package was "helpful" but was not the "final deciding factor."

Since moving to Atlanta, Newell Rubbermaid has added about 175 employees to its home office and is building a new, 350,000-square-foot headquarters building at Two Glenlake in Sandy Springs to accommodate further expansion.

Mueller Water Products Inc. (NYSE: MWA) moved its headquarters to Atlanta from Tampa, Fla., last December, after being spun off from its Tampa-based parent company. A spokeswoman said geography played the biggest role in the company's decision.

A maker of fire hydrants and other water-flow equipment, Mueller chose Atlanta because it was within a two and a half hour drive of 50 percent of the company's employees.

The company also seriously considered several other Southeastern cities, said Katrina Blauvelt, director of corporate communications and public affairs.

"Atlanta is so close to so many employees and [has] a world-class airport that allows us to get anywhere we need to go. Atlanta was an obvious choice for us," she said.

Blauvelt added that the majority of Mueller's 50 Atlanta-based headquarters employees are new hires.