

2007 TOP CITIES FOR BUSINESS ATTRACTION

These Communities Are Literally Magnets for Business

Expansion Management and the National Policy Research Council looked at the facility relocation activity of 19 million companies over the past eight years to determine the most popular destinations for relocating businesses.

What do Phoenix, Charlotte and Austin all have in common, besides good weather? The answer is they have all been remarkably successful at attracting business expansions and relocations. It is a reflection of the remarkably vibrant local economies these communities have built over the past several decades.

Who is most responsible for this? Clearly, it's the private sector that overwhelmingly drives job creation, but the public sector does play a role, and in this case for the better.

Governments at all levels throughout the United States invest an incredible amount of time and resources in trying to attract new private sector operations to their local jurisdictions. The reason they do so is simple: to bring more and better jobs to their constituents while, at the same time, creating a larger tax base that will help fund government services for the entire community.

Economic Development (ED for short) organizations can be found at the national, state and regional levels, as well as in just about every local jurisdiction large enough to have its own Wal-Mart or McDonalds. Their mission is to help grow the local job and tax base by attracting new businesses, as well as by helping existing businesses navigate the complex and often treacherous waters of government bureaucracy.

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Many people look at economic development and immediately think "corporate welfare," but that narrow outlook misses an essential point. That is, the only thing government can do for most companies is to remove, or simply streamline, some of the various obstacles that government, in many cases, itself put into place.

They are the fixers, the expeditors, the folks whose job it is to figure out a win-win situation out of the friction that occasionally develops when the public and private sector intersect. If this does not describe the economic development organizations with which you are familiar, then I would seriously question whether or not they are doing their jobs.

For more than a decade, [Expansion Management](#) has been known for its future-oriented research studies that attempt to analyze hundreds of site location variables in an effort to provide its readers with a better understanding of how various metro areas compare with one another in ways that are important to a company's future business growth.

In other words, we have always focused our research studies with an eye toward the predictive, engaging our readers in a dialogue over ways to eliminate much of the uncertainty associated

with choosing the best location for a future operating facility. Our analysis has always been based on where companies should locate in the future.

That's not to say that we haven't had our opinions about which communities had actually been the most successful in attracting new business expansions over the past decade or so, but we never really had the resources to perform a thorough statistical analysis. That is, until now.

Last year we teamed up with the [National Policy Research Council](#) and its interactive database of 19 million companies. NPRC is a non-partisan think tank dedicated to serving state and local policymakers.

The question we wanted to answer was, when businesses expanded or relocated a facility from one city to another, what were the most popular destinations. In other words, which cities were the most successful in expanding their local economy by attracting outside companies to locate there.

The result is our first annual Top Cities for Business Attraction rankings.

Topping the list among the large metro areas was Phoenix, Ariz., followed by Charlotte, N.C., Austin, Texas, Las Vegas, Nev., and Fort Myers-Cape Coral, Fla. Rounding out the top 10 were Greenville-Spartanburg-Anderson, S.C., Norfolk-Virginia Beach-Newport News, Va., Richmond-Petersburg, Va., Sacramento-Yolo, Calif., and Raleigh-Durham-Chapel Hill, N.C. Click here for list of [Top 20 Large Metros for Recruitment & Attraction](#).

We also looked business growth rates at the county level, which gives us an indication of which part of the metro area was driving the growth. The list for large counties was headed by Mecklenburg County (part of the Charlotte-Gastonia-Concord, N.C.-S.C. MSA), followed by Lee County, Fla. (Cape Coral-Fort Meyers, Fla.), Travis County, Texas (Austin-Round Rock, Texas MSA), Maricopa County (Phoenix-Mesa-Scottsdale, Ariz.) and DuPage County (Chicago-Naperville-Joliet, Ill.-Ind.-Wis. MSA). Click here for list of [Top 20 Large Counties for Recruitment & Attraction](#).

To put this into perspective, it is important to note that there are 362 metropolitan statistical areas (MSA) and 3,141 counties in the United States, so making this list puts these locations in pretty rarified atmosphere.

Among the midsize metros, Canton-Massillon, Ohio, finished No. 1, followed by Huntsville, Ala., Fayetteville-Springdale-Rogers, Ark., Harrisburg-Lebanon-Carlisle, Pa., and Tucson, Ariz. Rounding out the top 10 were Flagstaff, Ariz., Biloxi-Gulfport-Pascagoula, Miss., Allentown-Bethlehem-Easton, Pa., Wilmington, N.C., and Stockton-Lodi, Calif. Click here for list of [Top 20 Midsize Metros for Recruitment & Attraction](#).

Among the midsize counties, topping the list was Pima County (Tucson, Ariz. MSA), Johnson County, Kan. (Kansas City, Mo.-Kan. MSA), Anne Arundel County (Baltimore-Towson, Md. MSA), New Castle County, Del. (Philadelphia-Camden-Wilmington, Pa.-N.J.-Del.-Md. MSA), and El Paso, Colo. (Colorado Springs, Colo. MSA). Click here for list of [Top 20 Midsize Counties for Recruitment & Attraction](#).

Among the small-size metros, St. Joseph, Mo., ranked No. 1, followed by State College, Pa., Auburn-Opelika, Ala., Sioux Falls, S.D., and Jackson, Tenn. Rounding out the top 10 were

Lafayette, Ind., Yuma, Ariz., Charleston, W.Va., Montgomery, Ala., and Dover, Del. Click here for list of [Top 20 Small Metros for Recruitment & Attraction](#).

Among the small counties, the list was headed by Buchanan County, Mo. (St. Joseph, Mo.-Kan. MSA), Dauphin County, Pa. (Harrisburg-Carlisle, Pa. MSA), Franklin County, Ky., Henderson County, Texas, and Kendall County, Texas (San Antonio, Texas MSA). Click here for list of [Top 20 Small Counties for Recruitment & Attraction](#).

Arizona topped the list of states, followed by New Hampshire, Delaware, South Carolina and Virginia. Rounding out the top 10 were New Mexico, Nevada, West Virginia, Alabama and North Carolina. Click here for list of [Top 15 States for Recruitment & Attraction](#).

How We Calculated the Rankings

This ranking is based on the following two measures:

Relocation Rate: Number of business establishments (headquarters, subsidiaries, independents) that relocated to another market during the most recent 8-year period and still survive today, as a percent of all business establishments in the market, and

New Branch Rate: Number of branches opened during the most recent 8-year period and still survive today, as a percent of all business establishments in the market.

Our methodology assumes that the capture rate is the same for branches as it is for non-branches.

All geographic areas of particular classification, such as large- and mid-size metro areas, are ranked based on both of the above measures. They are then assigned proportionately a scaled score from 100 to 0, with 100 assigned to the top-ranked place and 0 to the bottom-ranked place, and calculating the relative positions of all places in between. This yields a relocation index and a new branch index.

To end up with a high overall rank, a place must have a relatively high percentage of business facilities that have physically relocated to the place.

A combined index is then calculated by simply averaging the relocation and new branch indices. This combined-index value is used to produce the final overall ranking.

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Finally, metro areas in the NPRC's database reflect the Office of Management and Budget's pre-2003 definition of metropolitan statistical areas.

What Does This Mean to You?

In the past, rankings of this sort have been based largely on an extremely limited, almost anecdotal, sampling of relocation data, and the results quite often proved the old adage,

“garbage in, garbage out.” However, tracking the movement data of 19 million companies during the most recent eight-year period eliminates that long-standing criticism.

It has often been said that businesses, like voters, consumers or any other group of people making decisions that impact others, vote with their feet. There is a lot of value, not to mention wisdom, in knowing how other business executives acted when faced with a decision on where to locate a new facility.

For the metros and counties that ranked high in this study, it represents the best of all possible validation that their local economies are on the right track.

There’s probably not a better vote of confidence than knowing that, when faced with a decision of where in the entire United States to locate a new facility or branch office, the consensus of millions of business executives was to choose these locations for a significant business investment.

In a very real sense, this is a reflection of the marketplace at work, only in this case, the market is making buy-no buy decisions where the product is cities and towns as a good place to establish one of your company’s operating facilities.

In an era where relatively small statistical samplings have given way to American Idol and audience participation in the outcome of the contest, analyzing the relocation decisions of 19 million companies seems to carry more weight with today’s decision makers, who continue to demand better and better information.