

Mid-size cities rising



Area Development Site and Facility Planning

September 1, 1999 | Bastian, Lisa A

Thanks to ongoing technological advances, particularly in telecommunications, many mid-size cities continue to gain favor in the eyes of companies looking for big-city amenities wrapped up in delectable small-town flavors.

TAKE A SERIOUS TIP from Goldilocks the next time you create a search criteria list. Remember how the fussy lass thought the smallest things were too small, the largest too large, and the middle ones were "just right"? Well, according to some economists and companies voting with their moving vans, that's exactly how middle-size cities are looking these days.

Individually, many of these "just right" locales offer prosperous local economies without the lifestyle and high-cost hassles often inherent with doing business in larger cities. More importantly, as a group, they're now powering our nation's current prosperity boom, attracting Fortune 1000 companies like never before.

Mid-Sized Cities: What Makes Them So Special These Days?

Earlier this year a New York Times article asserted that nearly two dozen mid-size American cities "reflect the strengths that have sustained the American economy in the 1990s and, more recently, kept it growing in the face of economic turmoil abroad. Corporate America has found in these cities a fertile ground for the service-sector job creation that has played so big a role in the current expansion."

Sam Staley, director of the Urban Futures Program at the Reason Public Policy Institute in Los Angeles, agrees that mid-size cities have what it takes to "make it easier for businesses to start up, survive, and grow." In general, he believes places with 750,000 to two million people "tend to offer low-cost labor, universities and community colleges providing R&D support and training, good access to airports, and - typically- easy, fairly quick access to the metro area by car."

However, the paramount factor to look for in a mid-size city, as in any size city, is a quality labor pool, relevant to a company's requirements, and low operating costs. If they're not present, then a move or expansion to that city is almost fated to fail, he maintains. Technology's ability to level the playing field is helping increase the popularity of mid-size cities too, says Staley. The constant upgrading and use of innovations such as the Internet and video conferencing now allow companies to originate and work big-time business deals in mid-size cities.

Additionally, the deregulation of the airline industry has made it easier and less expensive for employees to travel from a mid-size city base, and for cargo to move around the nation via next-day package delivery. "Airports will be critical to the economic development of areas in the 21st century more than they are presently," Staley states. "Along with the benefits derived from new technology options, they help give these cities national accessibility in ways never before imagined or experienced."

Dr. Edward Glaeser, a Harvard University professor of economics, asserts that cities which have done well historically are skilled cities growing at a rate independent of their initial size. "When looking at manufacturing, the appropriate labor force is now important, not proximity to suppliers or products [as was more prevalent in the past]."

Another reason many mid-size municipalities are gaining in popularity, he believes, is because they offer the productivity advantage of larger cities yet avoid many of the social problems - including often inherent ones connected with having public housing and transportation plus larger numbers of lower-income Americans.

Furthermore, Glaeser points out the rise of the two-career family makes a difference in the demand for urban areas. Unlike smaller cities, midsized ones not only tend to be "thick enough" with good jobs for both spouses, but also provide higher-paying wages and superior learning opportunities for career climbers.

Staley says he'd be very surprised if most growth in mid-size cities is a result of relocation activity. "My guess is that most is homegrown. We know small businesses are today's primary job-generators. The challenge for these cities is to do what they can to help them grow into Fortune 500 companies; and many are in a position to do that."

Austin, Charlotte, Cincinnati, Denver, Kansas City, Richmond, and Salt Lake City among others are prime examples of the energetic, mid-size municipalities making economic development news. Let's take a closer look at these cities.

Mid-Size Cities Becoming Global Cities Formerly a vital steamboat portal to the West,

today Cincinnati is an on-the-move yet conservative-minded river city nestled in the southwest corner of Ohio. The 13-county region of Ohio, Kentucky, and Indiana commonly referred to as Greater Cincinnati boasts a net area population of 1.9 million.

Internationally recognized manufacturers, retailers, and insurance companies are headquartered in the area, including seven Fortune 500 firms. Of special note is the fact that northern Kentucky, just south of the city proper, has evolved into a booming relocation/expansion area, evidenced by the moving in of firms such as Toyota Motor Manufacturing, Fidelity Investments, Citibank, Staples, Heinz Pet Products, and Star-Kist Foods to its environs.

The Cincinnati area economy has grown 30 percent and added 175,000 jobs in the last decade. According to a new Ohio Bureau of Employment Services study, Cincinnati will be the fastest-growing job market in the state through 2006, posting 33,400 job openings annually.

As in other mid-size cities these days, expansion is driving the growth game here. Dayton Technologies, a designer and extruder of vinyl in southwestern Ohio for 30 years, is a good local expansion success story among numerous ones currently being "written." In June, this Belgium-based firm broke ground on a \$12.5 million headquarters expansion in Monroe, a northern Cincinnati suburb. It marks a four-year, \$30 million capital investment necessitated by strong corporate growth. As a result, 100 new positions will be added to a work force of 350 over the next three years.

This particular project was drawn by the strengths the region offers businesses seeking to grow - specifically a combination of "superior" air service and proximity to major markets via other transportation modes. In fact, the Cincinnati/Northern Kentucky International Airport is the nation's fastest-growing major airport in terms of passenger traffic, Delta Air Lines' second-largest hub, and home to COMAIR, Delta's regional connection. In April, COMAIR broke ground on its new 165,000-square-foot, \$40 million corporate headquarters building at the airport, a project adding 900 employees.

Technology is also helping boost the local economy by driving the relocation of a number of Japanese firms moving here. For example, Isuzu Motors America announced this year that it expects to start operating a new parts distribution center in November in West Chester, a Cincinnati suburb. Isuzu joins about 80 companies from Asia located in Greater Cincinnati.

"Fifteen years ago [Japanese firms] felt they had to be in a large city like New York to get sophisticated international banking and telecommunications services. Now they can get them in [a mid-size city like] Cincinnati, where many of their customers have [set up operations]. The Midwest...is no longer considered 'the hinterlands,'" says Neil Hensley, director of international marketing for the Greater Cincinnati Chamber of Commerce.

Another plus: Mid-size cities now showcase the same amenities more often seen in larger cities: professional sports teams; world-class zoos, symphonies, and opera companies; professional theaters; plus major museums and other attractions.

Mid-Size Cities Winning Awards

Virginia's capital certainly has bragging rights as a renowned mid-size municipality. Entrepreneur magazine named Richmond the "Best Mid-Size City in the U.S. for Small Business" (1997), while Money called it the "Best Medium-Size City in the South" (1998). The city's MSA population is just under one million, and it posts an unemployment rate of 2.5 percent for its 523,000-person work force.

Gregory Wingfield, president of the Greater Richmond Partnership Inc., defines today's mid-size city as a place where you can conduct world-class business, and "still get your arms around it without losing cultural amenities."

Greater Richmond is home to eight Fortune 500 and 12 Fortune 1000 headquarters, including those of CSX (railroad), Circuit City Group (electronics), Reynolds Metals, Dominion Resource (electric utility), Universal (tobacco wholesaler), and Pittston Co. (freight delivery/security). It's known to be one of the South's leading manufacturing, distribution, finance, and university centers, producing products ranging from semiconductors, industrial machinery, aluminum, and synthetic fibers to cigarettes, nonprescription drugs, and food. And the new Virginia Biotechnology Center, adjacent to the Medical College of Virginia, will cater to one of the area's fastest-growing industries and ultimately offer 1.5 million square feet of lab/research/office space.

Recent expansions/relocations in the Greater Richmond area include Land America Financial Group and its subsidiary Elliptus Technologies (with combined employment of 350), and White Oak Semiconductor, which employs 1,375 and was named the wafer fabrication plant of the year by Semiconductor International magazine in June. Expansion activity soon will make Capital One Financial Corp., a financial services company with 6,000 employees, the area's largest employer with 8,000 people. Hewlett-Packard, employing 700 in the area, continues to aggressively

expand and expects to add 700 more workers.

Mid-Size Cities as Corporate Meccas

Known for tasty barbecue joints, fountains, and bargain-priced suburban mini-mansions, Kansas City has also been ranked as one of the 10 best supporters of small business by Entrepreneur magazine (1996-1998), and is considered one of the world's 50 best cities for global business, according to Fortune magazine.

With a regional population of 1.7 million, Greater Kansas City (Missouri and Kansas) currently ranks tenth in nonagricultural job growth, according to an Arizona State University analysis of the 20 top metropolitan markets with more than 750,000 workers (2.8 percent unemployment rate).

"I think there is a trend moving development toward mid-size cities that is primarily a result of a tightening work force nationally," says Bob Marcusse, president and CEO of the Kansas City Area Development Council, which represents 15 counties in Kansas and Missouri.

"As it becomes more difficult to find the people needed to move a company forward, companies are forced to become more sensitive to workers' needs. And two needs that stand out in most minds are housing costs and quality of education. We're seeing that mid-size cities have been able to offer virtually every amenity anyone could ask for, yet maintain a very competitive level of housing," Marcusse adds.

These days, Kansas City's lack of an airline hub is seen as another asset and is working to the region's advantage. At the Kansas City International Airport an average of 287 daily flights carry 30,000 passengers. Unlike hub markets, it offers true competition. This translates into corporate-friendly lower fares that help to entice new businesses to town - and to retain existing ones.

Expansion represents the majority of new jobs in Kansas City, relates Marcusse. Just look at Sprint Corp., the town's largest company and a corporate crown jewel. Currently this global telecommunications giant is building a new world headquarters: a \$700 million, 3.9 million-squarefoot, campus-style complex acknowledged as the nation's largest office construction project. When completed in 2001, the facility will employ up to 14,500.

Other recent major projects further support Kansas City's emergence as a technology center for telecom operations and the communications industry:

Boston-based State Street Corp. built a new \$50 million data-processing center

employing 100; this year it's expanding facilities and work force.

In 1996 Gateway 2000 completed the first step of a \$201 million expansion project; it now employs 1,200 - up from 400 in 1994.

ADT Security Services Inc., the nation's largest security alarm firm, opened a new \$16 million regional call center in 1997 with 125 people; it now employs more than 1,000.

Citicorp Credit Services recently upgraded its Kansas City facility to a full-service center - one of four in the nation. Established in 1986 with 30 employees, today it has 1,776.

Fortune 1000 medical firm Quintiles Transnational Corp. conducted a multicity search before choosing to pay \$93 million for substantial assets of Hoechst Marion Roussel's (HMR) Kansas City-based Drug Innovation and Approval organization, now operating as a Quintiles pharmaceutical contract research facility. The company acquired office/lab buildings and hired 500 former HMR employees; by 2002 it expects to have more than 1,000 employees. Dr. Joe Lacz, senior vice president and managing director for Quintiles' Kansas City site, says one of the city's advantages was "having major companies like Sprint available to us; [they're] a definite draw for employees with dual-income families."

Mid-Size Cities as the New Frontier

For the fifth consecutive year Colorado is leading the nation in economic strength and growth potential, according to the Corporation for Enterprise Development's 1998 Economic Development Report Card.

Denver, the "Wall Street of the Rockies," drives that growth. Of the 49,084 new jobs created since 1991, 12,900 of them were created in 1998, a fact ranking it eighth in nonagricultural job growth among the top 20 metro markets with 750,000-plus workers (as per the Blue Chip Job Growth Update, Bank One Economic Outlook Center at Arizona State University).

Industry strengths are in the areas of information technology, mining and energy, environmental products/services, manufacturing, and financial services and mutual funds. A large part of its MSA labor force of 1.1 million consists of younger people drawn to the area's famous mix of climate and mountains. They're highly educated, too: One-third of Denver's work force holds a bachelor's degree or higher.

Other major business attractors include the Denver International Airport - which

offers nonstop flights to major U.S. and world cities, a superior telecommunications structure, an extensive bus mass transit system, and a growing light-rail system.

Utah's business hub is Salt Lake City, with a MSA population of 1.2 million and work force of 693,500 (3.2 percent unemployment). Recent relocations include a new regional hub (a 100,000-square-foot distribution/warehouse facility) for Yankee Candle Co. According to Rey Butcher, director of economic development for Questar Gas, "Utah is the youngest state in the nation, which makes the labor pool very attractive to specific industries."

Proving technology allows firms to do anything in a mid-size city these days, Intel Corp. has decided to build a 820,000-square-foot R&D campus that will eventually employ 3,050. Gateway computers just came here, too. Tim Huval, director of administration for the company's new manufacturing/call center facility, which employs 700 people, says his firm looked at similar midsize cities before picking Salt Lake City. Swaying factors? "The people and their values are very much in line with those at Gateway," explains Huval, who also cites Utah's highly educated work force, numbers of regional topnotch technology firms, quality of life, and "very flexible" college-based training/R&D programs.

Mid-Size Cities Reflect Vitality

Employment growth is boosting the demand for new office and retail space in Charlotte, N.C., whose unemployment rate hovers at about 3 percent. It's estimated the seven-county metro region (population 1.3 million), flush with 30,000 new residents last year, will generate at least 20,000 new jobs in 1999. According to Terry Orell, senior vice president-business growth for the Charlotte Chamber of Commerce, "1998 was a record year in job creation, and through June of this year we had already beaten last year's number. Our latest major job-creators include Microsoft, 1,200 jobs; Sprint PCS, 1,200 jobs; Black & Decker, 500 jobs; IBM, 500 jobs; and TIAA-CREF, 1,000 jobs."

The local chamber says three industry clusters plus three "emerging-industry" clusters are driving the city's growth. The main ones are financial services, transportation/distribution services, and high-growth manufacturing, while the up-and-coming clusters are information-related services, software, and travel/entertainment services.

Downtown is buzzing with construction work. Current projects include a 32-story, 912,000-square-foot office tower for First Union; a \$55 million, 241,000-square-foot mixed-use office building attached to a new Marriott hotel; a 19-story, 401,00-

squarefoot office tower; three smaller hotel projects; plus Gateway Village, a \$350 million mixed-use project including one million square feet of office space.

Beyond downtown, rapidly growing firms are behind another construction boom. For example, Liberty Mutual, Vanguard (mutual funds), and Kemper (insurance) are expanding here, and three new hotels are under construction. Office park developer Koger Equity plans a 160,000-square-foot expansion, while real estate developer Grubb Sr Ellis is working on a new 132,000-square-foot office project.

Mid-Size Cities as Havens for High-Tech Firms

The metropolitan area of Austin, Texas, is home to just over one million people. The city's reputation as a birthing room for high-tech start-ups helped it earn the top spot on Fortune magazine's 1998 list of "Best Cities for Business." At last count, there were over 800 of them in the metro area.

The eight key areas of primary employment for the region are biosciences, computers and peripherals, logistics and distribution, multimedia, semiconductors, software, telecommunications, and transaction services. Statistically speaking, the Greater Austin Chamber of Commerce says last year's 5.8 percent job growth rate translated into 33,000 new jobs in the Austin area. The chamber predicts 4 percent job growth (24,000 new jobs) this year and 3.5 percent job growth for next year.

An entrepreneurial environment is being created here due to the area's brain trust (companies servicing the technology machine) and the development of a risk-taking culture. Hightech jobs represent more than 14 percent of Austin's total employment, and they are projected to grow by more than 4 percent by 2000.

The city area is second only to the Silicon Valley in the number of worldclass chip designers residing therein. Specifically, exciting entrepreneurial developments are happening in the semiconductor design, or chipless companies, and Internet software, e.g., Intel Corp.'s recent opening of a 100,000-square-foot design center in Austin. Other developments of note: Computer giant Dell, the largest private employer, now has a work force of 16,900 and is continually growing. And both Tivoli and Trilogy, software firms, are expanding and potentially adding 500 employees each.

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