The New Company Town

EMPLOYERS PAY FOR TRANSIT, HOUSING, SCHOOLS TO ATTRACT WORKERS TO URBAN CENTERS

Tam Harbert

It isn't easy to attract and retain workforce talent, and it's harder still to lure millennials, who make up the largest segment of the workforce.

Cleveland, Detroit, Buffalo, NY and Hartford, Conn. are doing it with help from corporate leaders. Site selection is being driven by talent, and city buzz is drawing millennials significantly, even far from hotspots like Miami, Chicago or Los Angeles.

The number of 25- to 34-year-olds with four-year college degrees living in large cities is growing at 19%, nearly five times faster than the overall population growth, according to think tank City Observatory.

Companies are giving up isolated suburban campuses, says Brian Swett, American cities leader at Arup, a global engineering and consulting firm. He cites the recent move of General Electric's headquarters from Connecticut to Boston's Seaport District to be closer to university research, ecosystem partners and other assets.

"That's the beating heart of the company," he says. "They wanted to be where the action is."

Other companies are locating in outer-ring cities, such as Kansas City, Mo. or St. Paul, Minn., where vacant buildings are cheap and living costs low. They are working with city governments and civic and philanthropic leaders to revitalize downtowns and nearby neighborhoods.

> **New Localism involves networks of public, private, civic and other leaders coming together to steward the local urban economy.**

"What corporations want—quality schools, safe streets, efficient infrastructure, quality of place—they can't deliver on their own," says Bruce Katz, Centennial Scholar at The Brookings Institution and coauthor of the book *The New Localism: How Cities Can Thrive in the Age of Populism.*

New Localism involves networks of public, private, civic and other leaders coming together to steward the local urban economy. These networks are working from the bottom up, rather than seeking top-down government solutions. After years of declining tax revenues at the state and federal levels, government funding is limited and will be scarcer after the 2017 federal tax reform takes effect, says Katz.

"The (2017) tax bill essentially ripped out billions from cities because they devalued the tax credits that cities use to invest in historic preservation, affordable housing and economic development," he says. "So where's the money going to come from? It's going to come from local corporate and civic wealth."

Companies are using small amounts, often less than $5,000, to retain or attract recent graduates. That can make a difference to someone paying off college debts or working toward a down payment on a home, says Jeff Antonelli, a director at Berkeley Research Group, who specializes in talent development.

"Columbus, Ohio is a perfect example of a city that has a vibrant community life and major asset in Ohio State University as a resource that helped revitalize downtown," Antonelli says. "Civic leaders like Nationwide Insurance and Cardinal Health all want to keep their young, new hires for an extra year or two, and a few thousands dollars shows goodwill and can prevent talent drain."

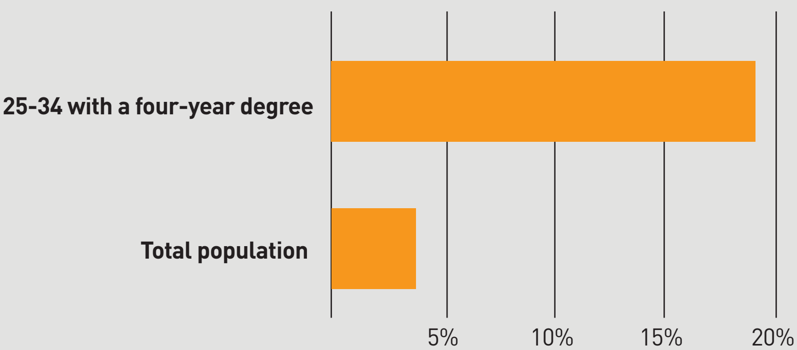
By strategically moving into smaller towns and cities seeking a cost advantage, companies

Newark, NJ has been home to Prudential Financial since it was founded in 1875. The company has committed more than $1 billion to the city over the last decade.

PRUDENTIAL PUTS ITS MARK ON NEWARK, NEW ORLEANS AND OTHER US CITIES

Ommeed Sathe (center) of Prudential Financial at a construction site where his company's investments are at work.

POPULATION CHANGE IN LARGE CITIES 2012-2016



also gain an outsize voice in local developments and may even steer workforce training geared to the local economy and needed future skills.

Employers recognize it is a collaborative role, says Peter Kasabach, executive director of New Jersey Future, a nonprofit land-planning and policy organization.

"Increasingly, corporations see it as in their own self-interest to be an integral part of a place," he says.

Prudential Financial, for instance, was founded in Newark, NJ, in 1875. Its headquarters remain there, and it has taken a leading role in rebuilding the city's downtown. Ommeed Sathe runs the company's social impact investments, a portfolio of $700 million, 30% of which is spent in Newark, with a dual goal: financial return and social good.

"This company feels a strong kinship with the city and has been a part of the civic fabric of Newark for a long time," says Sathe. "Our strategy is not about investing in just one segment. We want our investments to provide benefits to a broad range of constituencies, and that tends to create a whole series of positive ripples."

The company built a new 20-story skyscraper to house its global investment management business. Nearby, it invested $50 million to refurbish and redevelop the Hahne & Co. department store, a 1901 Art Deco building listed on the National Register of Historic Places, but empty since 1987. The new development has 160 apartments, 40% of which are set aside as affordable housing.

Rutgers University's Department of Arts, Culture and Media is also a tenant, along with an arts and culture center run by the university. Retailers includes a Whole Foods and space for local community entrepreneurs. More than 60% of the jobs in the retail space go to locals, Sathe adds.

"It's a real intentional effort to make sure that what we're doing is not just highly appealing to our own employees, but also highly necessary for the community," says Sathe.

Prudential also donated $2 million to rehabilitate a local park, which now hosts cultural events and farmer's markets. Another champion is the CEO and founder of Audible.com, Donald Katz, who shares the enthusiasm for advancing the city. He offered Audible employees a rental subsidy to encourage them to move to downtown Newark, is expanding Audible's presence and helped found Newark Venture Partners to incubate tech companies there.

Models of city-company links range from a proposed "smart city" community with networked smart infrastructure planned by Alphabet Inc. on a 12-acre property in Toronto to "shared-gain" programs in areas offering job training to high schoolers to prepare them for the needs of local employers.

Downtown Cincinnati had been declining for decades, until a 2001 riot following a police shooting prompted the local business community to take action. In 2003, the Cincinnati Center City Development Corporation (3CDC) was founded to partner with the city's leadership to invest in real estate and local infrastructure.

Initially funded entirely through corporate contributions, 3CDC's mission was to create great civic spaces, build high-density mixed-

ON THE MOVE

Study tracks professional workers using LinkedIn

Urban studies Prof. Richard Florida examines the annual migration patterns of workers using the changing locations in LinkedIn profiles. Florida has written books about the technology-powered "Creative Class" workforce. He teaches at the Rotman School of Management at the University of Toronto.

His research identified cities that saw the largest number of relocating workers and had the greatest outflows, according to self-reported data from LinkedIn users.

GAINS - 2017

1. Denver, CO
2. Seattle, WA
3. Austin, TX
4. Las Vegas, NV
5. Charlotte, NC

LOSSES - 2017

1. Hartford, CT
2. Providence, RI
3. Pittsburgh, PA
4. Norfolk, VA
5. Chicago, IL

use developments, preserve historic structures, improve streetscapes and create diverse, mixed-income neighborhoods supported by local business. The organization has teamed with employers like Kroger and Procter & Gamble to restore Washington Park and Fountain Square, a city landmark, and revitalize Over-the-Rhine, a historic neighborhood near downtown.

"These companies aren't just contributing leadership, but also becoming patient, long-term investors," says Bruce Katz.

In some cities, individual CEOs dominate the headlines by investing.

Maryland native Kevin Plank, CEO of Under Armour Inc., is investing to redevelop a section of South Baltimore called Port Covington. The project calls for new homes, offices, retail stores, parks and a new campus for the company. The $5.5 billion project is jointly owned by Goldman Sachs and Sagamore Development Company, Plank's private real estate firm.

"It's one of the biggest urban redevelopment projects in America," says Stockton Williams, executive vice president of the Urban Land Institute, a Washington, DC-based research center focused on land use and real estate development.

Tony Hsieh, CEO of Zappos, used an estimated $350 million of his own money to make downtown Las Vegas a mecca for entrepreneurs. According to the Downtown Project website, the venture stems from the belief that "if you accelerate co-learning, collisions and connectedness in the city's urban core, productivity, innovation, growth and happiness will fall into place."

The project has invested $200 million in real estate, $50 million in small businesses, $50 million in education and $50 million in tech startups.

In Detroit, Dan Gilbert, founder of mortgage company Quicken Loans, has become the poster boy of urban redevelopment. Since moving his company to Detroit in 2010, he's started other businesses that invest heavily in the city.

Bedrock Detroit, his real estate development firm, has spent more than $5.6 billion in acquiring and developing more than 100 commercial properties in Detroit's downtown. Rock Ventures, his umbrella company for business and real estate investments, collaborates on planning, designing and managing Detroit's public spaces. Gilbert also is vice chairman of an initiative to build a streetcar system to improve the city's transportation infrastructure.

All this investment by companies and cities reflects how the site-selection equation has shifted. Corporate executives used to choose location first then recruit employees, but today, Swett says, they start with "critical operations where you can find the right talent because they want to live there."

> **"In 2015, millennials surpassed Generation X as the largest cohort of US workers – 53.5 million people. Or roughly 1 in 3 workers.**
>
> *Source: Pew Research Center*

Tam Harbert is an independent journalist based in Washington, DC. She writes about business, technology and public policy.