

## Study: Minneapolis is among pricier cities for corporate HQs

By SUSAN FEYDER  
sfeyder@startribune.com

A new study comparing corporate headquarters costs ranks Minneapolis as the 15th most expensive of 50 U.S. cities, and second only to Chicago among 12 cities in the Midwest.

Minneapolis' property taxes were the main reason for its relatively high ranking in the study by the Boyd Co. Inc., a Princeton, N.J.-based corporate relocation consultant. In addition to taxes, the rankings also were based on electricity, land, construction and travel-related costs for a hypothetical 70,000-square-foot head office with 325 workers.

Boyd's clients have included PepsiCo, Pratt & Whitney, Hewlett-Packard and Time Inc. The following is an excerpt from an interview with President John Boyd, who was here this week to share the study with current and prospective clients.

**Q** Very few office markets anywhere, here or nationwide, have seen much growth in the last couple of years. How much corporate relocation is even going on these days?

**A** There are a lot of companies now that are planning to do it once we get out of this recession. Most of the site selection that is going on now has to

**Boyd continues on D2 ►**

### HEAD OFFICE COSTS

How Minneapolis compares among 50 U.S. cities with the highest and lowest annual corporate on-site and travel costs.\*

#### HIGHEST

New York (1)	\$30.7
San Francisco (2)	\$29.3
Stamford, Conn. (3)	\$29.0
San Jose, Calif. (4)	\$28.6
Newark, N.J. (5)	\$28.0

#### LOWEST

Sioux Falls, S.D. (50)	\$21.1
Little Rock, Ark. (49)	\$21.5
Virginia Beach (48)	\$21.8
Oklahoma City (47)	\$21.8
Columbus, S.C. (46)	\$21.9

**Minneapolis (15) \$26.2**

\*in millions for a hypothetical 70,000-square-foot head office with 325 workers

Source: The Boyd Co. Inc.

# Study rates Minneapolis pricier for corporate HQs

◀ **BOYD FROM D1**

do with companies downscaling, relocating to smaller, less expensive offices.

**Q** Which cities are the Twin Cities' biggest competitors?

**A** For a regional headquarters in the Midwest, it's Chicago, St. Louis, Kansas City. On a national scale, Atlanta has become a sort of Mecca, and Phoenix attracts a lot of interest. The calls we get at our offices more and more are about these smaller, second- and third-tier cities. That's what companies are looking at right now, to save money. In some ways your biggest competition is coming from cities in states without a corporate or personal income tax. Sioux Falls, S.D., is included in our study and is the type of market Minneapolis is competing with.

**Q** How can Minneapolis become more competitive?

**A** Hold the line on taxes, especially property taxes. You need to understand that the impact of Minneapolis' high property taxes is compounded by the fact that land and construction costs are also high. The effective property tax rate in Minneapolis is about twice as high as the study's low-cost option, Sioux Falls.

**Q** Does the trend toward smaller, less expensive cities apply to any type of corporate facility? We're used to seeing com-

panies move manufacturing operations but keep corporate offices here.

**A** It can be a national, regional or division headquarters. This is the next frontier of corporate cost-cutting. It's now in style for companies to associate themselves with markets that are less expensive. It makes them seem more fiscally responsible to their shareholders.

**Q** Could you give some examples that illustrate this trend?

**A** Northrop Grumman is leaving Los Angeles and moving to the Washington, D.C., area. One move that illustrates the Midwest trend would be Exact Sciences, a biotech firm that recently left Marlborough, Mass., for Madison, Wis.

**Q** Aside from costs, what role do amenities play in a company's decision about where to locate? How important are things like proximity to colleges and universities, a highly educated local workforce, cultural attractions, major-league sports teams?

**A** Historically, those have been very important drivers. Now it's becoming less about those qualitative issues and more about quantitative issues, like the state's business climate and taxes.

Susan Feyder • 612-673-1723