

## **Out-of-State Recruiters See Opportunity in Election Outcome**

**By Pat Maio - 11/21/2005**

**Orange County Business Journal Staff**

Some out-of-state recruiters see a silver lining to the rejection of California Gov. Arnold Schwarzenegger's reform initiatives in this month's statewide election.

A week after the governor's Nov. 8 measures were defeated by voters, Bob Potter, director of the Inland Northwest Economic Alliance, was knocking on doors in Orange County in a bid to lure businesses out of the area.

"I bring the idea of relocation to them," Potter said.

He said he's enticed more than 70 companies since the late 1980s to move from Southern California to the Coeur d'Alene region of Idaho and eastern Washington's Spokane—no matter the region's rain or snow.

Things got a little harder for out-of-state recruiters after Schwarzenegger came to office promising reform. And while major reform has been slow in coming, a stronger Golden State economy and some gains in workers' compensation insurance have made California more palatable.

Potter is realistic: He said he isn't looking to lure the county's big companies, like Ingram Micro Inc. or Broadcom Corp. Most of the companies he's attracted have been family businesses and small manufacturers.

"I'm getting more phone calls expressing interest," said Theresa Sanders, executive vice president of the Spokane Area Economic Development Corp., who was traveling last week with Potter.

Potter's pitch arrives first as a letter outlining the cost benefits of moving to the Pacific Northwest. The letter touts the area's lower wages for blue-collar workers, lower workers' compensation rates, substantially cheaper electricity costs, lower lease rates and cheaper housing.

Potter isn't the only one who's seen opportunity in California's reform standoff. Recruiters from Arizona, Nevada and Utah have kept up a steady drumbeat on local businesses to move out of California.

### **Nevada Boosting Marketing**

The Nevada Development Authority plans to spend more than \$2 million next year on a marketing campaign to attract businesses, said Somer Hollingsworth, the state agency's president and chief executive. That's the most the agency ever has spent.

The defeat of the Schwarzenegger-backed propositions on voter redistricting, state-spending controls, teacher tenure and union dues sent a signal to Nevada that California's business climate is unchanged.

"Losing those ballot initiatives didn't help," Hollingsworth said.

Johnson Controls Inc. recently announced plans to move its Fullerton auto battery plant to Arizona, cutting about 115 jobs, according to the Milwaukee-based company. It had run its battery factory on Fullerton's Kimberly Avenue since 1978.

"It's very expensive to do business in California," said a company spokeswoman in a prior interview.

This month, automaker Nissan North America Inc. said it planned to shift its corporate headquarters in Torrance to Tennessee, citing California's business costs.

Some believe Schwarzenegger still has a few tricks up his sleeve to encourage businesses to stay here.

Lucy Dunn, chief executive of the Orange County Business Council, expects Schwarzenegger to lure companies back to the state.

Dunn is the former director of California's Department of Housing and Community Development under Schwarzenegger before taking the business council post earlier this year.

"California will continue to be attractive to business—now and in the future," Dunn said.

She noted discussions by the Schwarzenegger administration to craft a statewide public works measure to improve roads, water and sewer systems that could be financed by the largest bond sale in state history.

Tony Berendes, owner of Tab Distribution Inc., was one of the ones who bolted.

Berendes said he was paying about \$33,000 a month to operate a 30,000-square-foot warehouse along Atlantic Ocean Drive in Lake Forest.

In May, eight Tab workers and their families loaded up moving vans and followed Berendes to the company's new home in Spokane.

Tab, which has about \$15 million a year in sales, distributes computer software, video games, coffeemakers, blenders and grills.

"I have no regrets," said Berendes, 37, about moving to the Northwest. "The cost of business was just really high, and we weren't doing well the last couple of years, so I decided to take the plunge and move."

John Helwich, chief executive of Advanced Field Services, said similar reasons led him to move the company's headquarters to Coeur d'Alene, Idaho, from Lake Forest a couple of years ago.

Advanced Field Services does surveys of homes to determine whether insurance carriers should underwrite policies.

"If I had the opportunity to pull my entire company out of California, I would," said the 42-year-old Helwich.

He said he's had trouble recruiting qualified workers to OC, where median home prices are more than \$600,000.

"The only thing I miss is the weather and the sports franchises," said Helwich, who still has

about 40 workers at Advanced Field Services' data processing center at Lake Forest.

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## **Business recruiters prowling California**

Sunday, November 20, 2005  
By Michael Rappaport Staff Writer  
San Gabriel Valley Tribune

Magic Johnson isn't playing for the Lakers, "The Cosby Show" isn't back on the air and houses in Los Angeles County aren't selling for less than \$100,000.

The calendar says 2005, not 1990, but in one respect at least, we're heading back to the future.

California's business climate is looking shaky enough that recruiters from all over the country are once again trying to lure state-based companies into relocating.

"They're back," said Jack Kyser, senior vice president and chief economist with the Los Angeles County Economic Development Corp. "The Legislature is sitting up there in Sacramento trying to improve things for working families, but where are those families going to find jobs?"

The recruiters come to California and do their best to convince business owners that their state will enable them to make more money, live more cheaply and never get old.

Some of them are selling pie in the sky.

Others have a solid product. Bob Potter is the chief recruiter for the Inland Northwest Economic Alliance, which covers eastern Washington state and northern Idaho.

Potter left Southern California in 1987 and moved to Coeur d'Alene, Idaho, where he took over Jobs Plus and recruited 70 companies. They brought 3,937 jobs to Idaho along with an annual payroll of \$98.2million and capital investment of \$328.5million.

At least in part because of his work, Coeur d'Alene is ranked No.1 in job creation nationwide among cities with populations between 50,000 and 100,000, according to the Employment Index for the U.S. Labor Market.

The Spokane area is booming as well, with a city population of about 250,000 and a half-million in the surrounding county.

Indeed, the area Potter represents for the Inland Northwest Economic Alliance claims a population of 783,553 and a work force of 390,345.

"California is simply not friendly to business," he said. "Particularly to manufacturers. I call on a lot of companies, and even the ones who aren't leaving are opening plants outside the state where a lot of their work is done."

The problems have been cited many times:

high workers' compensation costs;

high utility costs;

onerous regulations;

high housing costs.

When all that is taken into account, it's not surprising that Potter has a 10 percent return on his mailings from people wanting to discuss the Inland Northwest.

"I recruited Buck Knives," he said. "Not only did they move after 80 years in San Diego, they took 50 employee families with them to Post Falls, Idaho. Their savings were incredible."

The company recently opened a new 128,000 square-foot facility, combining the move and a new process for a 30 percent cut in manufacturing costs.

Even that is a pittance compared with what the Bucks saved on workers compensation. Their bill dropped from \$1.4 million annually in California to \$150,000 in Idaho.

"It's a new lease on life for our company," said Chuck Buck, chairman of the board. "I was asked, 'Why didn't you guys come up here a long time ago?' I wish we had."

If the bad old days of the '90s are back for California business, at least one reason is the disparity in housing prices. With Los Angeles County's median home price pushing \$560,990, Spokane is able to counter with a median home price of \$160,000.

"You can get a good house for that price, too," said Theresa Sanders, executive vice president of the Spokane Area Economic Development Corp. "When you look at the value we have to offer people ... certainly the math has to work... but

the family value thing is bubbling up these days. It isn't all about the math anymore."

Potter says San Bernardino County has been a tough area for him to recruit, and indeed, the only businesses he has convinced to relocate are Pathways Therman, formerly of Rancho Cucamonga, and the Paul E. Eyraud Co., formerly of Ontario.

Statewide, though, plenty of folks appear ready to vote with their feet.

"The biggest problem businesses have in California is that they cannot do long-range planning," Potter said. "The Legislature just isn't dependable. Businesses that are footloose are definitely interested in a more conservative planning environment."

With the Northwest booming, Californians are worrying.

"We are in danger of losing a lot of businesses," Kyser said. "Here at the LAEDC, we're in the process of gearing up and suggesting strategies to save companies."

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## **Recruiters back in state to lure businesses away**

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San Bernardino County Sun

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- Onerous regulations.
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