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Incentives aren't key driver in biz moves

By [Jay Miller](#)

"It's a sign of the times."

That's the reaction of Richard Rebadow, executive vice president for economic development at the Greater Akron Chamber, to the decision of [7signal Solutions Inc.](#) to leave its downtown Akron space for offices in Independence in Cuyahoga County.

The Akron Beacon Journal characterized it differently. "Cuyahoga County won. Akron and Summit County lost," reporter Katie Byard wrote.

Those are two very different points of view on a relocation decision by a software development company whose 25 employees will still call Northeast Ohio home. The contrast demonstrates that while the world now sees a single Northeast Ohio economy, on the ground the parochial "us vs. them" mentality persists in places.

It's a mentality that many civic leaders believe needs to change for the region to grow.

"The whole point is that it is a regional economy," said Brad Whitehead, president of the Fund for Our Economic Future. "The most important thing is that we keep companies in the region. But in order to do that, we have to have a philosophy that recognizes we're all on the same team."

The 17-year-old Future Fund is a vehicle created by the region's philanthropies to strengthen the region by knitting it together economically.

For most companies, the days are long past when roots were deep and hometown loyalty was strong. Too many companies have passed from parent to sibling to private equity firms that install professional managers focused on the bottom line.

At the same time, some older communities are fully developed with little room for their existing businesses to expand. So when a company outgrows its home, site searches don't end at the city limits.

As for 7signal, it opened a sales and network operations center in the Akron Global Business Accelerator with three employees in 2011, recruited to the Rubber City as part of its BioFinland Technology Bridge Program. It is owned by JumpStart Inc., the Cleveland venture development nonprofit, and three Midwest private equity firms.

Now, six years and a new CEO later, the company has outgrown that space and decided that it will move its 25 employees to Independence. It expects that number will grow to 60 over the next three years.

While Cuyahoga County and Independence offered a package of financial incentives that had more money in it than the Akron/Summit County offer — \$600,000 vs. \$425,000 — there is little reason to believe the dollars made the difference in business relocation decisions.

"7signal has been vocal about their desire to be located centrally between Cleveland and Akron," said Ray Leach, Jumpstart's CEO, in an email. "So in this case, I don't think it's just about the incentives. The market for (software) developers is very competitive, so a centralized location that can easily pull from two cities has a lot of value for them right now."

According to Dennis McAndrew, a principal of Cleveland-based [Silverlode Consulting](#), a site selection firm,

cities in Northeast Ohio aren't instigating bidding wars with neighboring communities.

"In my experience, and I've been doing this for 20 years, I've never seen any instance of poaching, where one community proactively pursues a company in another community," McAndrew said. "Most of the time the incentives (communities offer) are a minor consideration."

That observation is backed up by research. The Upjohn Institute for Employment Research, a Kalamazoo, Mich.-based think tank, recently **reported** that while financial incentives have tripled since 1990 to \$45 billion annually, that new money hasn't given financial incentives greater punch.

"The existing research on incentives is that in some cases they can affect business location decisions, but that in many cases they are excessively costly and may not have the promised effects," wrote Upjohn researcher Timothy Bartik. "The new research suggests that much of this consensus is justified."

Rather, business owners are more concerned that their moves ensure the future growth of their business.

"I believe that business leadership of all shapes and sizes contemplates changes driven by, 'Where is it best for me to operate; where can I be most successful; where can I generate the most profit; and certainly how can I get talent?' " said Deb Janik, senior vice president at the Greater Cleveland Partnership.

"If you have a business that is growing and your space cannot accommodate your growth, you have to look," Janik said.

Northeast Ohio's civic leaders are looking for ways to ease the impact of these intra-regional moves.

"Other areas of the country have tools like regional revenue sharing and the like — that's the holy grail of cooperation," Whitehead said.

In the Minneapolis region, for example, communities contribute 40% of the annual growth in commercial and industrial tax revenues into a pool that helps communities within the region that are struggling.

Northeast Ohio is not ready for that, Whitehead conceded, but organizations like his are beginning to look for solutions that help all parties — everything from making it easier for talent to get to jobs to better coordination across the region of available sites.

Of course, not all moves need to be viewed as wins or losses.

For example, in September, **Mar-Bal Inc.**, a Geauga County thermoset polymer maker, **announced** it had outgrown a manufacturing plant in Auburn Township and would be moving to an empty plant in Painesville. Catherine Bieterman, Painesville's economic development director, said that Mar-Bal had come to Painesville officials nearly four years ago to look at a building that was vacated when Core Systems LLC, an injection molder, closed up shop in 2013. She said the company was expecting eventually to expand and was looking at both building new and the less-expensive option of finding a suitable existing building. This year, it chose the Core Systems building in Painesville.

JobsOhio, the statewide economic development nonprofit, is providing a \$500,000 revitalization grant to help Mar-Bal adapt the building to its needs. Painesville, Bieterman said, has given Mar-Bal the option on an adjacent piece of land the city owns and the prospect of property tax abatement on that land should Mar-Bal buy it and build on it.

While Geauga County is losing a bit of its tax base, Mar-Bal will retain some operations there.

Tracy Jemison, executive director of the Geauga Growth Partnership, understands why Mar-Bal is taking some of its operations to Painesville. He told *Crain's* that the move was a good business decision by Mar-Bal, and that he's confident the building Mar-Bal is leaving will be filled quickly.

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