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The Anatomy of a Deal

Deconstructing the process that led Hertz to select Southwest Florida for its global headquarters.



Florida Gov. Rick Scott shakes hands with Hertz Corp. Chairman and CEO Mark Frissora at the May 7 ceremony announcing Hertz's relocation of its corporate headquarters from Park Ridge, N.J., to Estero in Lee County along the Gulf Coast of Southwest Florida.

by RON STARNER

"Truth is stranger than fiction," Mark Twain once said. Especially when it happens for the first time.

Relocating a Fortune 300 headquarters to Southwest Florida, prior to May 7, had never been done.

That it occurred in such swift and stunning fashion — when Hertz Corp. announced it would move its corporate base from 225 Brae Boulevard just off the Garden State Parkway in Park Ridge, N.J., to Estero, Fla., near the Coconut Point Mall in Lee County — made the news even more remarkable.

Leaving behind its 25-year Bergen County home near New York City for a coastal community alongside the beaches of Fort Myers and Naples, Hertz — a company experiencing 23-percent annual growth in revenues — signaled a new era in corporate relocation strategy.

If proximity to New York City and world financial markets was the driving factor behind headquarters moves in years past, cost containment and quality of life were the new factors driving the world's largest airport rental car business to pick sunny South Florida.

Only this time the company fleeing the North didn't choose the white sands of Miami, Fort Lauderdale or West Palm Beach. It chose the gentle Gulf breezes that come across Sanibel and Captiva islands and blow through Lee County on Florida's other coast.

Deconstructing the nine-month site selection process that directed Hertz — founded by 22-year-old Walter Jacobs in Chicago in 1918 — to park its 700-job worldwide headquarters in the 636,597-resident Cape Coral-Fort Myers metro area offers many lessons for keen observers of high-profile industry relocation deals.

Not the least of these lessons is this: Sometimes a company's decision to move is beyond anyone's control.

Merger Drove Move from New Jersey

In the case of Hertz, the wheels behind this deal were set firmly in motion when the \$9.5-billion company acquired the Dollar Thrifty Automotive Group, headquartered in Tulsa, Okla., last November for \$2.3 billion. The merger combines the second and fourth largest rental car companies on the planet into one firm employing nearly 30,000 people in about 150 countries.

Combined, the average rental fleet of Hertz and Dollar Thrifty now exceeds 462,000 vehicles.

But two headquarters locations were one too many, and that left Hertz executives facing a dilemma: Move Oklahoma employees to New Jersey, move New Jersey employees to Oklahoma, or seek a third option.

"We realized we needed to put everyone together under one roof," Richard Broome, executive vice president of corporate affairs and communications for Hertz, tells Site Selection. "For a variety of reasons, we realized it was not feasible to consolidate in either Northern New Jersey or Oklahoma. There was a significant cost differential here in Park Ridge — about 35 to 40 percent higher than Tulsa — and our folks in New Jersey were not interested in relocating to Oklahoma. We needed a site that was mutually acceptable to both employee bases."

Broome says that paramount to the site decision was that the ultimate location "be acceptable to the company and the respective employees based in both New Jersey and Oklahoma."



Southwest Florida International Airport in Fort Myers was a key selling point for Hertz.

Beyond that, notes Broome, the site had to satisfy Hertz's other criteria: "We had to have a site that met our needs in terms of our ability to easily travel in and out of the area. We had to have access to quality employees. And the region had to offer a lifestyle that would be acceptable to our leadership and our employees."

Hertz engaged the well-known Greenville, S.C.-based site selection consulting firm McCallum Sweeney, which then issued a request for proposals to prospective host communities. The firm identified the potential corporate relocation as "Project A."

"When we looked at the individual states, Florida was identified as a potential candidate for the location," says Broome. "Once we were in Florida, Lee County emerged as the area that was the most interested and welcoming and aggressive toward Hertz." Southwest Florida International Airport and Florida Gulf Coast University also emerged as key pieces to the puzzle, he adds.

"The factors that drove this decision were beyond anyone's control. The state of New Jersey has no control over the cost differential between Tulsa and Northern New Jersey. They couldn't wave a magic wand and make those costs equivalent."

— *Richard Broome, EVP of corporate affairs and communications, Hertz Corp.*

After nine months of intense negotiations with state and local leaders, Hertz inked a deal to bring 700 jobs and invest \$68.75 million into a new facility complex in the Sunshine State. On May 7, the 95-year-old company announced it had selected a 34-acre (13.7-hectare) tract of land in Estero on U.S. Highway 41, one of the most heavily traveled roads in all of Southwest Florida.

With an average annual wage of \$102,000, the corporate headquarters jobs at Hertz rank among the most impactful in the history of the region. Altogether, the firm's annual payroll in the Fort Myers area would top \$71.4 million.

And the firm's 300,000-sq.-ft. (27,870-sq.-m.), three-story, Tuscan-style headquarters will be a significant real estate development in a 1.2-million-resident region that was hit hard by the housing foreclosure crisis of the Great Recession.

At the peak of that crisis, in January 2010, the metro area's jobless rate reached 13.3 percent. As of March of this year, it was just 6.8 percent.

Incentives 'Not the Primary Driver'

In exchange for leaving New Jersey for the warm confines of southern Florida, Hertz will receive about \$19 million in incentives. About \$14.4 million will come from the state, while the remaining \$4.6 million will come from Lee County.

Hertz will receive \$7 million up front from Florida's Quick Action Closing Fund, plus another \$4 million from Lee County's FIRST closing fund. Other assistance will come in the form of work-force training help, impact fee reductions and a special economic development discount rate on the company's electric utility bill from Florida Power & Light.

"It was important that we were able to defray our costs," Broome says of the incentives package. "Florida's offer was very competitive, but it was not the primary driver of our position."

New Jersey Lt. Gov. Kim Guadagno told reporters following the relocation announcement that New Jersey had been prepared to offer Hertz \$40 million to \$70 million in incentives to stay. "I am disappointed that Hertz didn't allow us to fight for their jobs," she said.

Broome paints another picture.

"We talked to the state before we announced our decision," he says. "The factors that drove this decision were beyond anyone's control. The State of New Jersey has no control over the cost differential between Tulsa and Northern New Jersey. They couldn't wave a magic wand and make those costs equivalent."

"New Jersey was never in the game for Hertz. It never took a full swing. Gov. Christie and Lt. Gov. Guadagno were prudent in keeping their powder dry and not wasting a lot of time and angst on Hertz.

— John Boyd, principal of The Boyd Company Inc., Princeton, N.J.

John Boyd, principal of The Boyd Company Inc., a nationally known site selection consulting firm based in Princeton, N.J., says that New Jersey was caught between the proverbial rock and a hard place.

"With the recent acquisition of Dollar Thrifty, Hertz is re-engineering itself to serve a broader segment of the corporate and leisure travel market," Boyd says. "A lower operating-cost profile in Southwest Florida will help them achieve the lower price points required by this segment. This would not be possible in hyper-costly Bergen County in New Jersey."

The second big issue facing the company, notes Boyd, is employee retention.

"Successfully retaining a large cadre of management and technical talent in the move was essential for Hertz," he says. "Hertz quickly found out that getting over a hundred families to move from Tulsa to Northern New Jersey was a non-starter. By the same token, getting a couple hundred Jersey-ites to relocate to Tulsa?

Forget about it."

In the final analysis, says Boyd, "Southwest Florida was an easy sell for both transferee contingents. Florida's lack of state income tax, historic real estate bargains in the Lee County area and low property tax rates were all compelling factors. Florida's incentive package — mild by today's standards — sealed the deal."



Hertz made its HQ announcement not far from this rental car counter at Southwest Florida International Airport. Hertz Chairman and CEO Mark Frissora said the state's travel & tourism leadership and talent base was one strong factor in the site selection. The company, which already employs 3,000 in the state, plans to open off-airport and retail car sales stores on its new headquarters campus.

Hertz Chairman and CEO Mark P. Frissora, who owns two condominiums in Naples, echoed those sentiments when he told The News-Press in Fort Myers, "It was kind of an easy decision. Everything pointed to Lee County."

Boyd notes that New Jersey Gov. Chris Christie and his team of economic developers should not be faulted for losing Hertz to Florida. "New Jersey was never in the game for Hertz," he says. "It never took a full swing. Governor Christie and Lieutenant Governor Guadagno were prudent in keeping their powder dry and not wasting a lot of time and angst on Hertz."

Conversely, Boyd says, "the Hertz project is Florida Gov. Rick Scott's most significant trophy in his bid to make Florida a major head office state. His successes to date have largely centered on Miami and Broward County, especially with companies with Latin American market ties. My firm has looked favorably on the Fort Myers area in recent years for a number of white-collar projects, including those in the med-tech and IT sectors. We characterize the Hertz move to lower-cost and less congested Southwest Florida as one being ahead of the curve.

"This is just the beginning for that region," he adds, "especially with the lean and mean mindset prevailing in corporate boardrooms these days."

Deal Called 'Game-Changer' for Region

Gray Swoope, president and CEO of Enterprise Florida, says the Hertz deal marks a milestone for Southwest Florida. "There are companies headquartered in Southwest Florida, but this is a name company that everyone knows," he says. "Chico's is already there. Hertz choosing this location is a game-changer for the region. This is the first time that Lee County has really stepped up to win a project like this."

Swoope says Lee County demonstrated its commitment by "voting on a code-named project without knowing who the company was. They voted to allocate \$4 million from their closing fund. I don't think a project like this has ever happened in Fort Myers before.

"Mark Frissora of Hertz said they don't make decisions lightly," Swoope says. "What they see in Florida is a long-term, attractive business climate. It has the quality-of-life factors for attracting talent. They looked at the decisions of moving families. Do you bring them to New Jersey or is it better and more attractive to purchase

homes in Florida? It is a good place to do business. It has a low-tax climate. From a personal standpoint, there is no personal income tax. You can raise a family here without the burden of being taxed to death."

The clincher, he says, was Florida's talent pool. "Florida offers a diverse and highly skilled base of talent," says Swoope. "It is reflective of the tourism and travel industry."

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— *Gray Swoope, president and CEO of Enterprise Florida*

Frissora, who grew up in Columbus, Ohio, said that talent was a major factor in swaying the company to choose Southwest Florida. "Florida is the center of the U.S. travel and tourism industry," he said upon announcing the relocation. "This move enables us to be closer to leisure and business customers, as well as many travel and association partners. As part of this move, we will open off-airport and retail car sales stores on our headquarters campus, which will enable us to experiment with new services and monitor customer satisfaction first hand.

"Additionally," he noted, "Florida provides ready access to a vast and diverse talent pool, including 3,000 of our own employees, as we grow our business. Lee County, on the Southwestern Gulf Coast of Florida, is a well-established travel destination with tremendous growth potential, with easy access to other leading tourism markets including Orlando, Miami-Fort Lauderdale and Tampa-St. Petersburg."

Frissora also thanked the many Florida entities that came together as partners in the deal: the Governor's Office, Enterprise Florida, Lee County, the Lee County Industrial Development Authority, Workforce Florida, the Southwest Florida Workforce Development Board, the Fort Myers Regional Partnership, and Florida Power & Light.

FPL was instrumental on two fronts — packaging the location data and offering the economic development discount rate to Hertz.

"Our economic development rider (valued at \$125,000) was a part of the overall incentives package," says Lynn Pitts, director of economic development for FPL. "Also, our data on the Powering Florida website and our new Resource Center were used in this project."

Pitts notes that within FPL's new website, "you can do a community comparison between the Florida county in question and New Jersey. A lot of different pieces of the puzzle came out of our website and our special economic development discount rate. This resulted in a huge deal for Southwest Florida."

Years of House Calls Paid Off

Jim Moore, executive director of the Fort Myers Regional Partnership and Lee County Office of Economic Development, tells Site Selection, "Hertz started out looking at a number of states. I had heard that they looked at Texas initially. They also looked at other sites in Florida. They looked at Collier County and some of the bigger metros in Florida. They felt that these larger metro areas were a little too transient or they wouldn't get the exposure they would get here. This is a very visible place for them."

Brent Barkway, director of business development for Lee County, says the project came as a result of relationship-building with the site consulting firm and patient legwork during the site selection process.

"We had made several visits to Greenville, S.C., over a period of seven or eight years just to get in front of Ed McCallum and Mark Sweeney," says Barkway. "The competence of our staff truly makes a difference. It is all about winning their confidence."



Jim Moore is executive director of the Fort Myers Regional Partnership.

When it came time to issue the RFP for Project A, McCallum Sweeney already had a base of familiarity and trust with the Lee County staff.

"Most of the groundwork was done by McCallum Sweeney for months," Barkway adds. "Hertz executives were here four times during the site search, but McCallum Sweeney was here all the time — every other week or even twice in the same week."

Todd Post, executive vice president of global procurement and administration for Hertz, served as the point person for the corporation. Also serving on the project team was Dale Lazerson, director of real estate for Hertz.

A critical development occurred in January, when four executives with Hertz and two consultants with McCallum Sweeney traveled to Lee County for a comprehensive tour of multiple prospective sites in the region. That trip, which included visits to several sites along the I-75 corridor, seemed to seal the deal in Lee County's favor, says Barkway.

"My understanding was that they did not seek a counter-offer from New Jersey or Oklahoma," says Barkway. "Those two states were involved in the process all along. They knew there was competition for the project."

One month later, Frissora traveled to Tallahassee to meet with Florida Gov. Rick Scott and Enterprise Florida's Swoope to talk particulars of the prospective deal.



Brent Barkway is director of business development for the Fort Myers Regional Partnership.

Meeting the project's timeline and delivering a competitive incentives package were both pivotal to winning the project, says Moore. "They had a very aggressive timeline," he notes. "They liked the Estero location, its visibility and its proximity to Naples. They wanted to be able to draw a work force from both Lee and Collier counties. And they needed their timeline to be met. A lot of work was done behind the scenes by our planning and zoning folks and our economic development office to meet the project deadlines imposed by Hertz."

In order to have their new headquarters facility completed and occupied by December 2015, Hertz executives "needed to absolutely satisfy themselves that they could get their entitlements in short order and start construction," adds Moore.

In the end, notes Moore, Hertz found the perfect combination of factors in Lee County.

"The taxes, the work force, the ability to recruit — it was from the very beginning a good location for this company," he says. "But we absolutely needed the incentives to close this deal. We had to put up a strong incentives package to compete with the other locations they were considering."

EFI's Swoope confirmed that aspect of the deal: "The announcement was the culmination of months of negotiations with the site selection consultant and the company," he says. "It is important to note that Estero was not the only Florida location presented to the company."

Stuart Doyle, spokesperson for Enterprise Florida, reiterated, "other Florida counties were considered" for the project.

A Sleepy Community Wakes Up

As a result of the extensive site selection process, Hertz now has an option to purchase 34 acres (13.7 hectares) of vacant land at the southeast corner of U.S. 41 and Williams Road in Estero.

Ned Dewhirst of Oak Brook Properties is handling the transaction for the landowner, CP Investment LLC. Dewhirst says the listed sales price on the parcel is "a little over \$13 million. We anticipate a closing date sometime this fall."

Craig Timmins of IPC Investment Properties Corp. of Naples, the listing real estate agent for the landowner, says the property in question is within the Coconut Point Development of Regional Impact — a key consideration given that DRIs in Florida are normally pre-approved for large-scale commercial real estate projects.

Hertz will move into temporary quarters while its permanent home is being built. The company reportedly is considering one of three possible locations, including the old 63,200-sq.-ft. (5,871-sq.-m.) Gartner Inc. building in Gateway.

Longtime observers of the Florida economy say the Hertz relocation to Lee County is hugely significant for a metro area that is expected to swell to nearly 700,000 people by 2017.

Long regarded as a retirement mecca, where 39 percent of the population is age 55 or older, Lee County has not always been on the radar screen of site selectors seeking locations for headquarters facilities and other high-wage operations.

"Cost of living was really the big factor. Clearly, it wasn't about incentives."

— *Tracye McDaniel, president and CEO of Choose New Jersey*

In fact, the area has largely been associated with quieter, more pastoral pursuits such as baseball. Each spring, thousands of fans make the annual pilgrimage from New England and the Upper Midwest to watch the Boston Red Sox and the Minnesota Twins play spring training games at JetBlue Park and Hammond Stadium, respectively, in Fort Myers.

"The Hertz headquarters deal is significant," says Hank Fishkind, economist and principal of Fishkind & Associates in Orlando. "It says that this is an area that can be a headquarters site. Secondly, that type of relocation creates a significant amount of downstream employment opportunities. And it is unprecedented."

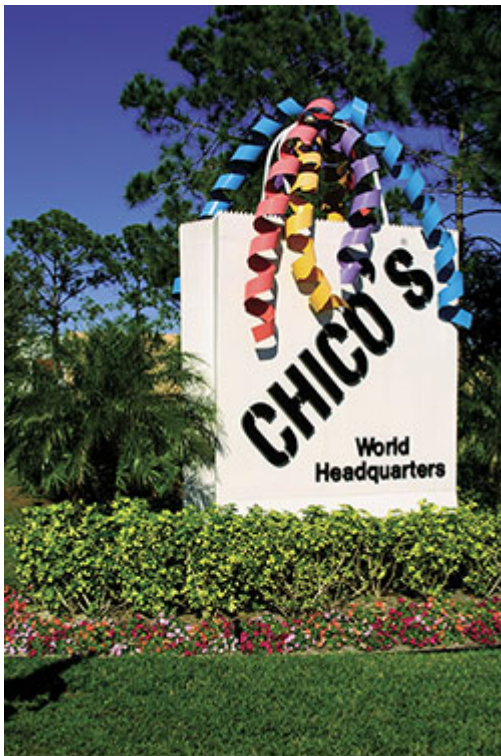
Lee County historically had not been amenable to large-scale economic development projects. This is a big catch for the county and the region."

Robert Pitts, former longtime editor of Florida Real Estate Journal in Winter Haven, says the Hertz move "should be a boon to Lee County and Southwest Florida, which until this point have not been known as havens for corporate relocation. The presence of Hertz may very well attract more like-minded firms, as they tend to enjoy the synergies created by locating close to one another."

An independent analysis of the Hertz headquarters relocation deal estimates the total economic impact to be \$300 million when the project is completed, according to the Fort Myers Regional Partnership. That study also estimates that property taxes on the new headquarters will exceed \$900,000 a year.

Huge Complex on the Market

The flip side of this story, of course, is that one community's gain is another's loss. In Tulsa, officials say they are optimistic that they will be able to retain as many IT and back-office jobs as possible following the departure of the Dollar Thrifty headquarters from its longtime home at 5310 East 31st Street.



Chico's was the only Fortune 500 company headquartered in Lee County, Fla., prior to the May 7 announcement that Hertz would move to the Fort Myers area.

"Hertz has very publicly committed to maintaining a presence here in Tulsa," says Justin McLaughlin, senior vice president of economic development with the Tulsa Regional Chamber. "We have about 750 employees here now, and we know that they are moving about 120 of them to Florida. You never like to see any job loss in a community, but I do feel like it is important that Hertz has remained committed to Tulsa."

Moving forward, McLaughlin says, the chamber will "continue to make sure that we are meeting with our local employers as well as their executives from out of town. Recruiting business is always important, but taking care of your own is equally or more important."

In New Jersey, Hertz says it will move to sell its Bergen County headquarters and then find another location in North Jersey for the 150 jobs that will remain in the area.

Tracye McDaniel, president and CEO of Choose New Jersey, says that "cost of living was really the big factor" in Hertz's decision to leave the state. "Clearly, it wasn't about incentives. The offering from our state was much more than the \$19 million the company is receiving to relocate to Lee County, Fla. The catch here

was because Hertz made the decision to consolidate its headquarters to one location after acquiring Dollar Thrifty. They are maintaining their e-commerce services and financial functions here in Park Ridge. But the deciding factor really was the cost of living for their employees."

A case in point: The median home price in Lee County is \$136,000; in Bergen County, it's \$385,000, according to the National Association of Realtors.

Hertz plans to sell its 226,000-sq.-ft. (20,995-sq.-m.) headquarters in Park Ridge as part of the relocation. The 14.6-acre (6-hectare) campus is assessed at \$34 million in value, making Hertz the largest taxpayer in the city. Hertz paid \$774,522 last year in property taxes. Hertz is also the highest-revenue company in Bergen County, according to the latest rankings of the Fortune 500.

In Fort Myers, Moore says the impact of the Hertz move has only just begun. "We will see an increased level of activity and an increased quality of opportunities to compete for projects," he says. "Without question, there will be a ripple effect."

Ron Starner

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