

February 2004

Incentives Deal of the Month

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Incentives Could Top \$16M

Wachovia Securities' Post-Merger Shakeout Adding 1,200 Jobs in Richmond, Va.

by **JACK LYNE**, *Site Selection* Executive Editor of Interactive Publishing

RICHMOND, VA. – Wachovia Securities LLC (www.wachoviasec.com) has decided to secure a large piece of its post-merger future in **Richmond, Va.**, (www.grpva.com), adding as many as 1,200 metro-area jobs.

Wachovia Securities is headquartered in Virginia's capital city, where it's had a local presence for 70 years. Even so, the expansion announcement ends months of nervous speculation over the fallout from Wachovia's retail brokerage merger with New York City-based Prudential Securities.

Finalized on July 1, 2003, that union spun off and fused the two firms' retail brokerage operations into a separate, independent entity. (Wachovia, the nation's fourth-largest bank, owns 62 percent of Wachovia Securities; Prudential owns 38 percent.) The merger created the third-largest full-service retail brokerage firm in the U.S., holding client assets of \$569 billion.

Predictably, the unification has *also* created numerous redundancies and functional overlaps, a situation that company officials pointed out shortly after the deal was announced. To cut costs, they said, Wachovia Securities LLC would eliminate 1,700 of the two groups' combined 19,000 positions. Since then, job-security fears inside the company have been on a bullish upward spike.

Wachovia's 1,700 existing jobs in Richmond, however, were looking pretty secure. The city was designated as the merged organization's headquarters when the deal was first announced. Soon after, Richmond-based Wachovia officials speculated that the new corporate combination would add hundreds of local jobs.

Just how *many* jobs, though, remained unknown until corporate and state officials gathered to reveal the finalized deal.

"After many years of banking and financial jobs going south, we are now seeing those jobs returning here to Richmond," Gov. Mark R. Warner (D) said at the announcement of the 1,200-job expansion. "It's the kind of long-term economic growth we want in our city."

NYC, Two North Carolina Cities Were Major Competitors for Expansion

The competition for post-merger expansion made up a veritable Battle of the Heavyweight Headquarters, Wachovia Securities President and CEO



Wachovia Securities, which already has its headquarters and 1,700 employees in Richmond (pictured), is adding 1,200 more workers in the wake of its merger with Prudential Securities.





Gov. Warner (pictured) asserted that Wachovia's expansion is part of Richmond's rebound "after many years of banking jobs and financial jobs going south."

Daniel J. Ludeman explained.

Besides Richmond, two of the biggest contenders for the jobs, he said, were Charlotte, N.C., the headquarters city for parent company Wachovia Corp., and New York, the former base of Prudential Securities. Another North Carolina city, Winston-Salem, also got serious consideration.

Ludeman particularly emphasized two reasons why Richmond got the nod: the talent in the area's labor pool, plus the area's ability to attract more

talent.

"With roots in Richmond since 1934, Wachovia Securities has enjoyed the benefits of the Richmond area's supportive business environment and ample talent pool," he said. "Looking ahead, we're committed to attracting and retaining the most talented and diverse work force in the financial-services industry. The Richmond area's sense of community, its large and affordable stock of housing and its natural attractions are very important to our ability to attract individuals with the energy and ideas to drive our growth in the years ahead."

Cost Efficiencies: Only \$8.3 Million Earmarked for Wachovia Expansion

Richmond's employee-attraction powers will soon get a test. Wachovia Securities' selection of the Virginia city will largely consolidate both the merged organization's back-office and headquarters functions. Some of Prudential's New York-based employees will now be offered transfers, a Wachovia Securities spokesman said. (Officials, however, added that the company will continue to have a significant New York presence, with some 1,000 employees remaining in the city.)

Wachovia Securities' new Virginia jobs will primarily be in administration, information technology, securities analysis and client services, according to corporate officials. The company currently has some 700 employees at its riverfront headquarters in downtown Richmond, plus 1,000 more workers in three other offices in Henrico County.

Cost-efficiencies from Wachovia's existing local infrastructure likely also significantly strengthened Richmond's expansion case. Thus far, Wachovia Securities has only announced a modest \$8.3-million capital investment in the expansion. It will use its existing office space to house the jobs that are added over the next year, officials said. Wachovia hasn't yet determined whether it will eventually need to add new space to accommodate the full complement of additional jobs.

As many as 470 of the new Richmond jobs will go to the downtown headquarters in a \$5.9-million project. Wachovia Securities will add up to 730 more jobs at its other Henrico County offices, allocating \$2.4 million in capital expenditures.

Virginia's financial-services cluster made it a logical choice, Warner asserted. The Old Dominion State is home to more than 3,600 companies in that sector, which employ some 135,000 residents.

"Virginia is an established financial-services center and a natural choice for this Wachovia Securities expansion," said the governor.

Proposed VEDIF Program Could Add \$8 Million More in Incentives

Incentives likely helped make Wachovia's choice even more natural. The company will receive as much as \$8.7 million in city, county and state incentives, announced Warner, who was heavily involved in recruiting the project.

"We have stretched the extra mile to have a top-flight securities firm keep its headquarters here and expand its headquarters here," the governor said. "I know from my conversations with . . . Danny Ludeman



"Richmond is proud to see one of its greatest corporate citizens grow here at home," Mayor Rudolph C. McCollum Jr. (pictured) said at the Wachovia Securities expansion announcement.

throughout the negotiation process that we were all working hard to keep a good thing going in Virginia."

Warner approved a \$1-million grant from the Governor's Opportunity Fund to for the expansion. Both the city of Richmond and Henrico County (www.co.henrico.va.us) are providing matching grants of \$500,000. The remainder of the incentives will come in tax credits and job-training reimbursement, Virginia Economic Development Partnership (www.yesvirginia.org) officials explained. Wachovia Securities only receives those incentives, though, if it adds at least 1,000 jobs and invests \$8.3 million in the Richmond area, they added.

But the company could get \$8 million more in project subsidies, at least if Virginia's General Assembly approves the Virginia Economic Development Incentive Fund (VEDIF) during this year's session.

The VEDIF would apply only to certain projects, said Warner, who will introduce legislation for the new program during the 2004 legislative session. His proposed bill would require expanding firms to create at least 400 jobs that pay salaries at least 1.5 times higher than the region's average.

Wachovia Securities' new Richmond jobs, said Warner, fall well within those parameters.

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