Report: The Role of Corporations in the Transformation of a North Carolina Urban Landscape

William Graves
University of North Carolina at Charlotte

Introduction

Perhaps no North Carolina city has experienced as great a transition as Charlotte over the past 15 years. Since 1990 the city has transformed itself from one dominated by low-wage manufacturing and distribution industries into one of the nation's preeminent banking centers. This transformation has led to the creation of 175,000 jobs in Mecklenburg county, nearly 20% of the state's total. Much of this growth germinates from two local firms that are now among the state's largest employers, Bank of America and Wachovia. Charlotte's two banks actively guided local urban redevelopment in order to enhance their competitive position in the global economy.

Privately Funded Economic Development

Charlotte's redevelopment was necessary to create a city that met the geographic requirements of a major bank headquarters site. First, they need a prominent and prestigious location for their offices in order to appeal to their depositors' need for security – thus downtown locations are mandatory. Second, since banks compete for executive talent in a global market, they must draw workers from other financial centers such as New York, San Francisco and London; therefore, they must be located in a place that offers a similar level of urban amenities in order to successfully recruit executives.

While Charlotte has been home to North Carolina's largest banks for over half a century, its downtown was openly ridiculed throughout the 1970s, 1980s and early 1990s. It was viewed as either dangerous (its police district had the highest homicide rate in the US briefly during the 1970s (Alexander 1982) or boring (the *Atlanta Journal-Constitution* labeled Charlotte "the city that always sleeps" in 1994). In spite of its reputation, this urban setting served as the backdrop for one of the most rapid expansions in financial industry history, Bank of America's transformation from a regional bank into the first truly national bank. As early as 1979, Bank of America became aware that the city of Charlotte was meeting few of its needs. The city's increasingly suburban local customer base viewed downtown with disdain. And, more critically, the bank faced difficulty recruiting the executives it needed to support its expansion beyond North Carolina. Arriving executives were appalled to find that Charlotte was simply a collection of suburbs that offered none of the urban amenities to which financial industry executives had become accustomed. It was clear that Charlotte's image was an impediment to the bank's planned expansion in the 1980s.

Faced with a recruiting crisis, Bank of America had three options. First, it could leave Charlotte and relocate its corporate headquarters to a city that appealed to its new hires. Second, it could appeal to the city to revitalize Charlotte into a metropolis better suited for a major financial firm. Or finally, it could rectify the problems associated with its hometown on its own.

Corporate relocation was a feasible option given Bank of America's voracious acquisition of banks from larger cities (Graves 2001). However, relocation was rejected, in part, because Charlotte was the home of many of the bank's original executive core, executives who espoused a strong allegiance to their communities. Publicly funded urban revitalization was politically impossible since the vast majority of Charlotte's residents lived and worked in suburban areas and thus resented significant public expenditure on center city redevelopment. Because of this political situation, privately financed urban revitalization was the only viable option for Bank of America to create conditions that would accommodate its expansion.

Charlotte's downtown redevelopment was financed largely by the Community Development Corporation (CDC), a non-profit subsidiary of Bank of America. The CDC provided more than $11 million in subsidized loans to individuals willing to refurbish (and inhabit) downtown housing by 1979 (NCNB CDC 1989). In addition to subsidies for loans to individual homeowners, Charlotte's private firms, led by Bank of America, invested more than $2.3 billion dollars in center city by 1995. Much of this was used to create new office space, multi-family housing and space for retail and entertainment activities downtown. Public expenditures on downtown projects during this period totaled less than $300 million; the majority of these funds were for infrastructure unrelated to banking such as a new courthouse and jail (Chapman 1996).

By 2005, private investment had wholly revitalized Charlotte's center city. The CDC had initiated the creation of residential space for nearly 10,000 residents at a variety of price points. In addition, CDC and corporate investments created one of the largest concentrations of office space in the state, daycare centers, grocery stores, and an entertainment district. From a corporate perspective, the addition of more than 10,000 jobs (with an average wage of $85,000) to Bank of America's Charlotte offices suggests the redevelopment was successful. The visible presence of residents and visitors downtown after working hours suggests the public has embraced the redevelopment as well (Smith and Graves 2005).

The most striking characteristic of Charlotte's downtown redevelopment was the source of its funding. Comparatively little public investment was used in the redevelopment process. Since the use of private investment to create economic infrastructure is almost unheard of in this era of public subsidies, why did Bank of America's finance this economic development project?

Restarting the Growth Machine

Private companies were the primary financiers of economic development projects in the pre-global economy. Most firms were dependent on the economic health of their local markets to ensure revenue growth. Bank of America's investment in the Charlotte economy is, in part, a product of this history. Before North Carolina's banks were permitted to expand out of the state, the Charlotte market was Bank of America's primary profit center. Promoting Charlotte as a great place to live resulted in more deposits, more loans and greater profits. Banks, real estate developers and utilities formed an informal coalition that actively perused policies that would facilitate job growth in the region.

Such growth machines have produced great success in North Carolina. The state's most dramatic example of privately funded economic development was the creation of Duke Power Company out of the earnings of James B. Duke's American Tobacco Company. Because the electric utility was among the first in the South, it was forced to stimulate industrial development in order to operate profitably. This industrial development fulfilled Duke's desire to contribute to the economy of his home state as well as fund his charitable endowment for the Carolina's (see Durden 2003).

These growth machines were thought to be destroyed by the emergence of the global economy. Purcell (2000) among others suggested that once firms began to operate in national and global markets the significance of home markets declines. The case of Bank of America illustrates that the corporate involvement in urban growth is not as simple as some would believe. Corporate expenditures on urban growth were often contrary to the economic interests of a bank that had numerous opportunities to relocate to a bigger city in order to facilitate hiring. However, Bank of America executive personnel had a strong sense of place, these personal ties were the product of the firm's creation and maturation within North Carolina. These personal ties to Charlotte led to the recreation of the corporate growth machine and dramatic investments in the bank's hometown.

Global firms that lack personal ties to a region are firms with little motivation to make community investments. These placeless firms are driven by economic forces to accept public incentives and remain only until a better deal can be cultivated elsewhere. These same economic forces doom state incentives programs to low returns and limited local impacts in most cases. In contrast, the profits generated by firms with historic ties to a place are likely to be reinvested locally.

The Future of the Modern Company Town

Charlotte's recent experience tells us that private firms are willing to fund economic development in certain contexts. While this development process is not without costs to the public (particularly in terms of a lack of political control of the process), this mode of development is likely preferable to the increased use of public subsidies to attract jobs. A secondary benefit of corporate driven urban growth is the degree to which these firms become invested in the locality. Firms that invest large sums in a place may be more likely to promote local growth via charitable contribution, financing for emerging companies and the fostering of local linkages.

This unusual relationship between town and firm will certainly create risks; an exaggerated municipal dependence on a single firm can increase the volatility of the local job market. In addition, this 'eggs in one basket' strategy may displace unrelated industries, in Charlotte's case there is considerable concern that funds budgeted towards the new rail transit system (a project identified as serving the bankers due to its downtown focus) diverts funds from road projects that would serve the region's remaining, largely suburban, manufacturing firms.

Despite the risks of this form of urban development it has worked exceptionally well in the Charlotte context. The success of this urban development strategy in other settings is still in question. Such close relationships between firm and city are, in one sense, simply a continuation of the mill village culture which built the Piedmont South. The region's history of corporate involvement in urban development provides an intriguing counterbalance to academic studies of globalizing cities which ignore the role of local history in global city transformations.

References

Alexander, W.T. 1982. *The revitalization of the Fourth Ward historic district and the Independence Building controversy in Charlotte, North Carolina.* Charlotte: Charlotte Area Historic Preservation Society.

Chapman, D. 1996. Charlotte at Brink of Boom? *Charlotte Observer*, August 11: 1A.

Durden, R. 2003. *Bold entrepreneur: A life of James B. Duke*. Durham: Carolina Academic Press.

Graves, W. 2001. Charlotte's role as a financial center: Looking beyond bank assets. *Southeastern Geographer*, 41(2): 230-245.

NCNB CDC. 1989. *The mission.* Charlotte: NCNB Community Development Corporation.

Purcell, M. 2000. The decline of the political consensus for urban growth: Evidence from Los Angeles. *Journal of Urban Affairs* 22: 85-100.

Smith, H. and Graves, W. 2005. Gentrification as corporate growth strategy: The strange case of Charlotte, North Carolina and the Bank of America. *Journal of Urban Affairs*. 27(4): 403-418.