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Sacramento scores a win in play for Bay Area tech companies



Barry Broome, chief executive of the Greater Sacramento Area Economic Council, talks with Parrable CEO Carla Holtze and Sacramento Mayor Kevin Johnson on Wednesday at Sacramento State.

By Dale Kasler

Sacramento is taking a fresh stab at poaching high-tech jobs from the Bay Area, marketing itself as an affordable but talent-rich locale for companies choking on the high cost of doing business in San Francisco and San Jose.

The fledgling effort scored another success Wednesday, albeit a small one. Parrable, a 2-year-old San Francisco company whose technology platform enables advertisers to target customers

online, will hire seven engineers next month. It expects to grow to 25 to 70 jobs in Sacramento within three years.

The company will make Sacramento and San Francisco its “dual headquarters,” although the bulk of Parrable’s employment will be located in Sacramento.

Parrable was lured to Sacramento after Chief Executive Carla Holtze bumped into Barry Broome, the Sacramento region’s chief economic development recruiter, at a networking event in San Francisco. She lamented her young company’s difficulties in hiring engineers in the Bay Area’s overpriced labor market. Broome and Mayor Kevin Johnson eventually sold her on Sacramento.

Speaking Wednesday at a combination news conference/pep rally at California State University, Sacramento, Holtze called Sacramento “a wonderful place to set up shop and hire engineers.” The news conference was held at Sacramento State because officials at the university are helping Parrable hire talent.

She added that Sacramento’s “proximity to San Francisco is really important to us,” since Parrable didn’t want to stray too far from its hub of customers and business partners. The company will initially occupy space at I/O Labs, a 40,000-square-foot co-working space and business incubator located in a historic bank building at Seventh and J streets.

Holtze’s reasoning dovetails with the technology strategy Broome is trying to implement at the Greater Sacramento Area Economic Council, the business recruiting organization founded by area executives in late 2014 at the mayor’s urging. In an interview, Broome said he’s trying to build a “technology cluster” with as many as 200 companies, many of them imported from the Bay Area, over the next decade.

On the surface, at least, it’s reminiscent of Sacramento’s strategy in the 1980s and 1990s, when the region emphasized its low costs, billed itself as “Silicon Valley East” and succeeded in bringing thousands of jobs from the likes of Apple, Intel and Hewlett-Packard.

The strategy worked, up to a point, and those companies remain significant employers in greater Sacramento. But over the years they’ve all transferred jobs from the area to other states, or to overseas locations, in an effort to ratchet down costs even more. Hewlett-Packard in particular is a sliver of its former self, although many of the cutbacks at its Roseville campus have been due to HP’s long-standing internal woes.

Broome said the strategy developed by the Greater Sacramento organization has some critical differences with the earlier approach. It has less to do with cost savings and more to do with establishing Sacramento as a place where a tech company can hire top employees—and, yes, save a few dollars.

To that end, the Greater Sacramento organization is putting less focus on trying to recruit satellite operations from companies like Google. Broome said the tech giants would just as soon open

offices in tech hot spots like Austin, Texas, where costs are considerably lower than even Sacramento.

Rather, Broome said, he's trying to recruit Bay Area startups and small companies, which are less likely to make the leap all the way to Texas but can still find meaningful cost savings in Sacramento. The plan is to nurture the companies and hope that at least some of them blossom into mega-employers with roots in Sacramento.

"This is not the strategy of the '90s," Broome said. "We're not chasing the satellite office; we're building the company."

While the cost differential with the Bay Area still matters, Broome said he's emphasizing Sacramento's skilled workforce.

"Sacramento's value proposition is talent, not cost," he said. "Creativity, not cost."

Economic development experts say the new approach makes a lot more sense as Sacramento's labor market has matured.

"Sacramento is clearly a more substantive market," said Jack Boyd of The Boyd Co., a New Jersey-based corporate relocation consultant. "When (companies) go to Sacramento, they're not just going for the lower costs."

Parrable is one of several tech companies that have committed to the Sacramento area instead of the Bay Area in recent months, saying they were attracted in part by the region's labor pool.

Among them is Flippbox, a maker of hardware and software systems for managing mail and other documents. The company was founded in the Bay Area, moved to Florida, and now plans to move to Sacramento and hire 25 workers by early next year.

Founder Randy Hucks said Flippbox has received 300 résumés – many of them from Sacramentans who are commuting to tech jobs in the Bay Area but want to work closer to home.

"I'm entirely convinced the talent is there," Hucks said this week.

NRC Manufacturing, a small Fremont circuit-board maker that said in March it would build a major factory in Elk Grove, said this week it's in the process of buying a 46,000-square-foot factory building. While the company expects to hire as many as 2,500 workers eventually, founder and majority owner Ratha Chea said this week that NRC will likely hire 50 workers in the next nine months.

Chea said he insisted on building his factory in a place reasonably close to the Bay Area, even though states such as Nevada would have been cheaper than Elk Grove.

“I don’t want to go that far,” he said.

Parrable, the latest tech newcomer to Sacramento, already had ties to the area. Its lead investor is Folsom venture capital firm Moneta Ventures. “The potential – they could really grow in scale,” said Moneta’s managing director, Lokesh Sikaria.

While Broome’s organization continues to recruit from the Bay Area, the city of Sacramento is putting cash on the line to help build up the tech sector. The City Council this summer approved creation of a \$10 million Innovation and Growth Fund to make grants to incubators and startup companies. The first round of grants is expected to be announced soon.

“We’ve been over-reliant on real estate and government jobs in Sacramento for too long,” Johnson said in introducing Holtze at the Sacramento State press event. The mayor hosted Parrable’s CEO at a Sacramento Kings game several months ago as part of the recruitment process.