We have all heard about them: executives living in some of the most beautiful resorts and small towns in the country, while continuing to work on the postindustrial frontier. They race down the information highway at light's speed, using modems, fax machines, Internet, portable computers, and cellular phones. All the while they are accumulating galactic amounts of frequent flyer airline miles.

This move of executives to places that historically have been distant resorts and second-home locations is a relatively recent phenomenon. For most of this century, few people—mostly writers and artists—have been able to take advantage of this freedom to live and work in resort locations. With the widespread use of fax machines in the mid-1980s, however, it has become possible for a much larger group of people, a group known as flexecutives (location-flexible executives), to enjoy these locations full-time. Flexecutives can live where they choose and still remain plugged into the economic mainstream. They are redefining the American Dream of living in suburbia on a one-acre lot with a spouse, two children, a dog, two cars—and a two-hour roundtrip commute to work.

Moving to resorts is becoming a popular option for executives and small companies, and is making Santa Fe—for example—a suburb of New York, Chicago, Dallas, and Los Angeles.

In some ways, flexecutives are trying to recapture the past by moving to small towns with simpler, slower rhythms, but ironically, they are bringing their fast-track work style with them. It is all made possible by the high-tech revolution of the late 20th century. They get to live where they choose and commute and work via jet and fax.

Flexecutives now include not only self-employed and independent workers like consultants, headhunters, writers, and freelancers, but

Flexecutives

Redefining the American Dream

CHRISTOPHER B. LEINBERGER


DAN BEIGEL PHOTOGRAPHY

Annapolis, Maryland.

also middle- and upper-management executives of companies with far-flung operations. In the 1980s, these executives came to the conclusion that, because they lived on airplanes anyway, they might as well have their homes in locations they prefer.

Where they prefer to live tends to be America's resort towns. These include Charlottesville, Virginia; Annapolis, Maryland; Hilton Head, South Carolina; Asheville, North Carolina; Telluride, Colorado; and Bend, Oregon. Interestingly, these resorts are in mild, four-season or Mediterranean climate zones, rather than in areas with mild winters and blistering summers, like Scottsdale, Arizona.

Take, for example, the president of one of the nation's largest mortgage companies, headquartered in Los Angeles, with offices in every major city in the country. With a strong chief operating officer in place, he can fulfill his CEO responsibilities from Lake Tahoe, flying out to visit his empire from the nearby Reno airport and adjusting his company's mortgage rates daily via computer.

Then, there is the regional sales manager for Apple Computer, whose salespeople are scattered all over the Northwest, while he lives on a ranch in Montana. His salespeople report to him via phone, fax, and modem. When he needs to meet face to face with a client or his staff, he takes a commuter airline—from a small town airport 30 miles from home—to Salt Lake City, a major hub for Delta Airlines. From Salt Lake City, he can fly anywhere his job demands.

The Lure of the Resort Town

Actually, executives have been drawn to resort towns for decades. Beginning in the late 19th century, many metropolitan areas boasted nearby resorts that served as the second-home locations for an executive's family weekend getaways. Offering clean air, a beautiful environment, and an uncrowded setting, they were a natural lure to executives who made their money in crowded cities.

With the development of the freeway system during the 1960s and 1970s, many of these second-home locations suddenly were within commuting distance of downtown and other employment centers. Executives wanting to enjoy the benefits of resort life seven days a week now could live full-time in what had been their vacation homes. Thus, the resorts quickly evolved into primary, high-end housing areas. In the 1980s, these former resorts, turned upper-end housing districts, became the focus for much of the new "edge city" office development as bosses moved their businesses closer to their homes and avoided the daily freeway traffic jams.

Certainly one of the best known examples of this resort-to-business evolution is Newport Beach, California, a resort and second-home location for much of the early to mid–20th century. The completion of new freeways in the 1960s enabled it to change from a secondary- to a primary-housing enclave. Later, during the 1970s and 1980s, many Newport Beach executives decided to move their businesses closer to their homes. The city's growth exploded. In the 1980s, which saw as many office buildings constructed in the United States as in the entire course of the country's history until then, Newport Beach had the fastest-growing office concentration in a state with the highest growth rate in the country.

The same evolution was occurring in Baltimore. About nine miles north of Inner Harbor, the towns of Ruxton and Riderwood developed as second-home resort communities in the late 19th and early 20th centuries for the well-to-do who had their primary homes just north of downtown. With the postwar development of the highway transportation system, Ruxton and Riderwood became upper-end housing areas. During the 1970s, the adjacent town of Towson became the focus of regional-serving office and retail uses, principally for the companies of the executives who lived in the former resort communities nearby.

The flexecutive trend has now left the car behind to draw on more advanced means of communication and transportation: electronics and the airplane. Resorts that are hundreds of miles from the flexecutive's economic base of operations are becoming "suburbs" of metropolitan areas. Some of these resorts function as suburbs for a single metropolitan area. For example, Santa Barbara is turning into a flexecutive outpost of Los Angeles. Other resorts have become the suburbs of a number of metropolitan areas. Santa Fe, for example, is a suburb of New York, Chicago, and Dallas, as well as Los Angeles.

Characteristics of a Flexecutive Town

A resort town needs two general characteristics to lure flexecutives. The first has to do with the charm and appeal that made the town a resort in the first place, including a beautiful setting; distinctive architecture; culture; outdoor recreation opportunities; high-quality, unusual retail facilities; and in particular, restaurants—all in a small town setting. Tourism is key because it is a critical factor in stimulating and maintaining the retail attractions and restaurants that draw flexecutives to the town in the first place.

Second, the resort town must be reasonably close to an airport servicing the metropolitan area that acts as the flexecutive's economic base of operations. Ideally, the flexecutive can fly to his or her home-base metropolitan area and back to the resort within the same day.

This last requirement severely limits the number of resorts that might catch a flexecutive's eye. For example, the resorts that have character and that are commutable in a day to and from Los Angeles are limited to Santa Barbara; Monterey/Carmel; Lake Tahoe; Park City, Utah; and Santa Fe. Palm Springs could serve this role, but because of its hot summers, it probably will remain a second-home resort rather than a primary-home location for flexecutives.

The Next Phase

With the recent recovery in the housing market and the overall health of the economy, the next phase of the flexecutive trend is beginning. Executives once again are moving to resorts; in addition, some now are relocating their entire companies to these resorts. This trend can be expected to continue into the 21st century.

One of the first business owners to make such a move, Debbie Fields, founder of Mrs. Fields' Cookies, moved her company from San Francisco to the ski resort of Park City, Utah, in 1981. It was a risky decision, particularly because only six of the 30 company employees at the time decided to stay with the company and make the move. Yet, she and her husband, Randy, who is president of a major retail software company also based in Park City, wanted to live in a small town with "old-fashioned values" in a beautiful mountain setting.

The Fieldses have made a significant contribution to the town, in addition to being its major employers. (The two companies together have 350 employees.) They have donated a historic theater to the local performing arts organization, are active in the local schools both financially and personally, and are involved in the debate about the future growth of the town. In a recent interview, the CEO of this chain of more than 700 retail outlets worldwide is concerned that the growth in Park City is too rapid for the infrastructure and citizens to handle. While not opposed to growth, she would like to see it "managed and slow." Like many flexecutive resort towns, housing production and values continued to increase during the recent real estate depression and are beginning to increase at an even faster rate.

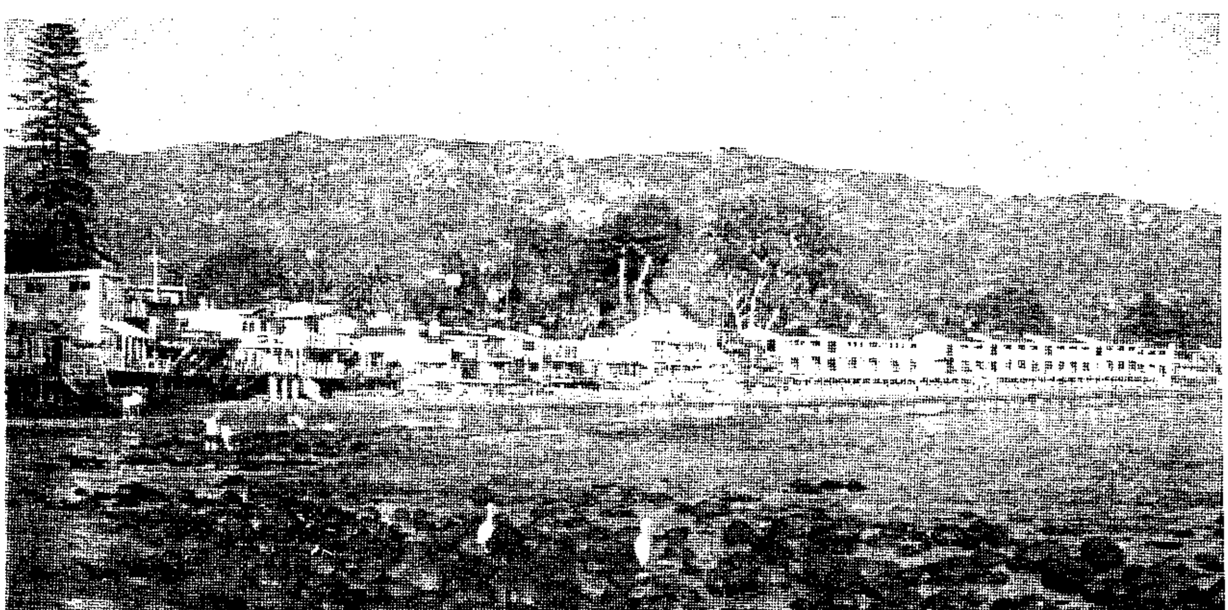
An interesting new phenomenon experienced in Fields's business over the past year is a startling increase in the number of unsolicited inquiries from highly qualified prospective employees who are willing to take a reduction in compensation to be able to work in a setting like Park City. Quality-of-life considerations and the confidence that one's career will not be sidetracked by locating in a resort town appear to have spurred this trend. Asked to estimate how many of her 30 employees would make the move to Park City if she were relocating the company today, Fields said about 20.

Another example of particular interest to the real estate industry is the 1990 move to Santa Fe of William Sanders, one of the founders and the ex-chairman of Chicago's LaSalle Partners. Sanders established the Security Capital Group in Santa Fe on January 1, 1991; acquired majority interest in Property Trust of America, a REIT, on March 1, 1991; and began to expand the firm. Not only did Sanders move Property Trust to Santa Fe, but also he hired a large number of alumni from Trammell Crow Company and other national real estate companies and moved them to town as well. Operating from this southwestern resort town, Property Trust and a number of other REITs started by Sanders have been among the fastest-growing and most respected REITs in the industry.

There are significant implications for the resorts that are the focus of these moves, as well as somewhat less significant implications for the metropolitan areas from which flexecutives and their companies are moving. Planners have the opportunity to learn from the first phase of flexecutive relocation, which was interrupted by the recession, before the economic and real estate recovery opens up the second phase in earnest.

Impact on Resort Towns

Flexecutive relocation is changing resort towns radically. The potential for change is now greater than ever as increasing numbers of flexecutives consider



Santa Barbara, California.

BILL ZELDIS


PARK CITY CHAMBER/BUREAU: LORI ADAMSKI-PEEK

Park City, Utah.

moving their companies to their new base of operations. The six resorts that have become flexecutive suburbs for Los Angeles have a total approximate population of 200,000. The Los Angeles metropolitan area has 15.5 million people. The migration of just a small fraction of this population will alter the real estate market and character of these resort towns irrevocably. In fact, since the mid-1980s, these and other flexecutive resort towns have already been changed by their new status as suburbs of huge metropolitan areas.

The impact of flexecutives on resort towns has been a mixed blessing. On the one hand, flexecutives offer a resort town the best possible type of economic development. These highly paid executives earn their incomes outside of the resorts, but they and their families spend the bulk of that income locally. Based on economic development job multipliers, it is probable that for each flexecutive moving to a resort town, 2.5 to 3.5 jobs will be created, including direct employment such as secretarial support, professional services, household help, and construction trades, as well as the indirect employment generated for schools, restaurants, dry cleaners, and the like. The general level of education in the town will probably rise. And the flexecutive, having chosen to live in a particular resort town, tends to have an above-average commitment to protecting and enhancing the special environment of that town.

The downside is primarily social. Typically, the flexecutive's income far exceeds the average income in the resort, a reflection of the town's industrial base: low-paying tourism. A flexecutive purchasing or building a home pushes up housing and land prices, which benefits the sellers, but also generates an affordable housing problem. This, and the obvious disparity in income between the flexecutives and the local residents, can stir discontent and a fear that the newcomers are pricing the town out of reach of longtime residents.

The problem is growing. Housing markets in many of these resorts, driven by big city incomes and the fact that purchasers generally spend much more on primary homes than on second homes, saw no price decreases during the real estate recession of the early 1990s. At the same time, most of their "feeder" metropolitan areas saw price drops of 10 to 40 percent. This has brought either housing price parity between the resorts and their base metropolitan areas, or even higher resort home and land prices. The latter situation can be devastating to residents unable to earn more than $5 to $8 an hour from tourism-based employment. They cannot afford to own, or even rent, a house in their own home town unless they hold down multiple jobs, and sometimes not even then. High home and land prices can also hurt the original character of the town by changing it to a more homogeneous enclave for the rich or well-to-do.

On the other hand, metropolitan areas that flexecutives leave behind will be poorer for their departure as these flexecutives often will have been among the areas' civic, social, or business leaders. Further, the relocation of their companies will decrease metropolitan employment opportunities. But whether the trend will ever be significant enough in absolute numbers to be felt in the large metropolitan areas is doubtful.

The future for these resort towns will differ dramatically from the future they might have had, had they not been discovered by flexecutives. The rapidity of the change after discovery also will be a dramatic break from the towns' former slow-paced evolution. While the resort character and charm of a town will be more highly prized than ever, they will be reinterpreted at higher price points. While cultural institutions will be significantly enhanced, more social issues will probably be raised.

Towns that currently attract flexecutives, and those that hope to attract them, need to recognize that investments in enhancing the quality of life of their towns make good short-term economic sense. Proper planning and action to attract flexecutives can help a town benefit, rather than suffer, from this trend. Taking appropriate precautions, particularly meeting the need for affordable housing, is advisable to avoid future confrontation, resentment, and economic dislocation.

Resort towns adopted by flexecutives are traveling on the fast lane of the electronic highway, but for the most part they don't know it yet. Once they understand how they are changing and why, they can either turn a blind eye or adapt to the change. How they will adapt to their altered economic position is unknown at this time, but one thing is certain: they will never be the same again. ❖

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