

Money

‘There Is a Danger in This Being Drawn Out.’ Why Experts Say Amazon Needs to Settle on an HQ2 Location Now

By Julia Glum – September 7, 2018



Photo illustration by Sarina Finkelstein for MONEY; (Bezos) Rob Latour/REX—Shutterstock; (fire) Getty Images (2)

On Sept. 7, 2017, Amazon started a war.

The tech giant announced that it was seeking a spot to build a second headquarters, a \$5 billion project that could create up to 50,000 jobs for one lucky North American city. Local governments sprung into action, assembling 238 proposals that offered everything from billion-dollar tax

breaks to a 21-foot cactus in hopes of enticing the company. Protesters mobilized, the list narrowed to 20 locations, and before you could say “free two-day shipping,” months had passed.

But now, a full year after the announcement, there’s still no victor in the HQ2 selection process. With only piecemeal developments to consider, experts can’t say when or how the search for Amazon’s new home will end. They do know that if the company doesn’t make a decision soon — or at least tell people *something* — there could be consequences.

“There is a danger in this being drawn out much longer,” John Boyd, the principal for New Jersey-based location consulting firm the Boyd Company, tells MONEY. “I’m beginning to hear and sense a backlash.”

HQ2 may be “the largest project in the history of economic development,” as Boyd puts it, but it’s also one of the most top-secret. Though the trillion-dollar company made a big deal out of its September 2017 announcement, it has only put out one news release on HQ2 since then.

The majority of information the public has about HQ2 came in that initial request for bids. In it, Amazon laid out some very basic desired features, saying that it preferred “metropolitan areas with more than 1 million people,” “a stable and business-friendly environment,” “urban or suburban locations with the potential to attract and retain strong technical talent” and “communities that think big and creatively when considering locations and real estate options.”

Based on those qualifications, 238 places applied for consideration. No complete list of applicants exists on the Web — there’s that air of mystery again — but Quartz found that they included Birmingham, Alabama; Sacramento, California; Chihuahua, Mexico; Denver; Orlando, Florida; Louisville, Kentucky; Las Vegas; Raleigh; Puerto Rico; and Montreal, Canada.

Competition was fierce and, naturally, inspired a host of gimmicks. The Georgia town of Stonecrest offered to change its name to “Amazon” if chosen for HQ2. In Kansas City, Mayor Sly James wrote 1,000 five-star Amazon reviews that subtly promoted his bid. Then-New Jersey Gov. Chris Christie approved a \$5 billion tax incentive package for the company.

Amazon announced its finalists in January. They were: Atlanta, Austin, Boston, Chicago, Columbus, Dallas, Denver, Indianapolis, Los Angeles, Miami, Montgomery County (M.D.), Nashville, Newark, New York City, Northern Virginia, Philadelphia, Pittsburgh, Raleigh, Toronto, and Washington, D.C.

Since then, there have been no updates. Amazon has vowed to make a decision before the year is over, but Boyd says “there’s been radio silence from Amazon to the 20 finalist cities.”

That also extends to the public.

As the *New York Times* points out, many of the bids were done through private groups that aren't subject to voter pressure. They're skirting public records laws, as well: When pressed, Montgomery County gave the *Times* 10 pages of documents with every word redacted.

Amazon has gone so far as to require various officials to sign non-disclosure agreements. In Pittsburgh, it requested to communicate with just one person on the proposal team. HQ2 even has a rumored code name — "Project Golden."

Boyd tells MONEY he thinks Amazon is taking its time for a reason: It knows HQ2 is a huge endeavor, and it doesn't want to screw up. But the longer Bezos waits, the riskier the situation becomes.

"Every couple of days or so, I get wild rumors and speculation and gossip from people I've done deals with — major developers, major players — that tell me something that turns out to be completely untrue. There's so much misinformation out there," Boyd says.

Preserving public goodwill is important for Amazon because of what it's asking for. Amihai Glazer, an economics professor at the University of California, Irvine, tells MONEY that wherever HQ2 goes, the locals need to support the incentives.

If not, things can go south quickly. He pointed to Disneyland's recent flap with Anaheim, California, in which the resort asked officials to nix two subsidy programs because they'd caused "an unstable business climate and a difficult working relationship with the city." There's also the issue of longevity. The banana company Chiquita relocated to Charlotte, N.C., to pursue \$22 million in incentives and moved away three years later, leaving some commissioners annoyed that they'd trusted the process in the first place.

Not to mention, HQ2 has already triggered concerns across the country.

LGBT advocates launched a campaign in February called "No Gay? No Way!" after discovering that nine of the 20 finalists were in states without anti-gay-discrimination laws. Horror stories abound online about the poor working conditions in Amazon warehouses, where some employees have claimed they developed depression and were discouraged from using the bathroom. Sen. Bernie Sanders has repeatedly attacked Bezos in recent weeks for not paying out a fair wage (the company denies it).

Protesters have said they're also worried about logistics. The sheer presence of extra people, for example, could overload public transportation and exacerbate already existing housing crises.

Boyd says that currently, the 20 locations are hanging in the balance while they wait for Amazon to make a move. Places like Lincoln Yards in Chicago and Suffolk Downs in Boston are both ripe for makeovers and have been offered up as potential HQ2 sites, but progress is on hold.

That could change soon.

If Amazon is not ready to release its final decision, it may put out another shortlist, taking the pool of candidates down to, say, 10, or three. Boyd says that would take care of at least one problem and free those developers “to go full-throttle on their corporate prospecting and marketing activities.”

Glazer, meanwhile, says a shortlist could be strategic for Amazon: “They may want to do it to heighten competition among cities to give them better deals.”

And exactly which places would make the final cut? Everyone seems to have a different prediction.

Glazer did his own statistical analysis based on Amazon’s behavior the first round and determined Boston to be the most probable home for HQ2, followed by Toronto and Dallas. GBH Insights said Atlanta or Raleigh, based on factors like their location on the East Coast, supply of students and economic benefits. Zillow found Atlanta, Northern Virginia or Austin, Texas, were likely; Thinkful reviewed the data and threw its weight behind Washington, D.C.

A year after the announcement, it’s anyone’s guess where HQ2 will go — or even when we’ll find out the winner.

“Is it possible they would move the goalposts and make the announcement in 2019? That wouldn’t surprise me,” Boyd says. “This is a project like no other.”