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5 reasons Nashville will land the Amazon HQ (and 2 reasons why it won't)

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Skyscraper crane operator's view of Nashville

Online retailer's existing presence here is a positive along with Nashville's location and business-friendly climate with no state income tax, but there are transit and workforce challenges.

Story Highlights

- Nashville's geographic location in the Southeast and within the central time zone should complement Amazon's existing Seattle headquarters.
- Tennessee ranks as the nation's lowest tax state.
- Analysts cite lack of mass transit as perhaps the city's biggest challenge as it prepares a bid.

As Nashville's leaders prepare to pursue Seattle-based online retailer Amazon's planned second headquarters and up to 50,000 jobs, the Music City region clearly has much to offer.

The region's growth and Tennessee's reputation as a low-tax, business-friendly state all bode well, but the lack of mass transit is among issues that also could hurt its prospects.

"I would expect Nashville and Tennessee to be in the hunt," said Bill Fox, an economist at the University of Tennessee Knoxville. "We have a lot of pluses. We're growing fast."

Experts expect Amazon's choice of a location where the retailer would invest \$5 billion to create the headquarters to be North America's most significant economic development announcement next year. "It's the holy grail of business attraction," said John H. Boyd, principal in Princeton, N.J.-based location consultants The Boyd Company Inc.

Here are five positive factors for Nashville and two areas of concern regarding its bid:

On the upside

Amazon is already here

Nashville and Tennessee's existing relationship with Amazon could pay dividends as the city makes its case for landing the planned second headquarters with up to 50,000 jobs.

The online retailer has more than 2,500 local employees at warehouses in Murfreesboro and Lebanon and a sorting center in Nashville. "I don't know if they want to be next to their warehouses, but it clearly shows that they want to be in Tennessee," Fox said.

Adam Bruns, managing editor of Site Selection magazine, sees another positive in Tennessee being one of the first states to workout a sales tax strategy with Amazon. "That's going to help you," he said about the arrangement under which the online retailer collects taxes on items it sells to Tennessee customers and pass them on to the state.

Location, Location, Location

Nashville's geographic location in the Southeast and within the central time zone should complement Amazon's existing Seattle headquarters. Half of the U.S. population lives within a 650-mile radius of Nashville, which this year has gained improved connectivity to the West Coast through new nonstop flights to and from Seattle and San Francisco. British Airways also plans in May to start nonstop service out of Nashville to London.

Amazon executives using private jets would have shorter trips from Nashville to cities like New York versus the several hours it would take to fly to the Big Apple from Seattle.



Amazon sortation center in Nashville (Photo: File/The Tennessean)

Low-tax state

Full-time employees at Amazon's planned second headquarters are expected to earn average annual total compensation of more than \$100,000 over the next 10 to 15 years. Those incomes would face better protection from taxes in Nashville versus some other cities because of the lack of a state income tax or personal or payroll taxes in Tennessee, which UT-Knoxville's Fox said ranks as the nation's lowest tax state.

Additionally, the state's Hall income tax on capital gains is being phased out and Fox said it should be gone by the time Amazon's headquarters is up and running. "We have no inheritance tax, no generational income tax and we're just a low tax state," he said.

Business-friendly environment/lower costs

A "stable and business-friendly" environment is one attribute of the location Amazon is seeking. In recent years, Nashville and Tennessee have ranked in the top 10 of consumer service company Thumbtack's Small Business Friendliness Survey. Factors cited include ease of starting a business

and government support of entrepreneurs. Metro and the state are also known for delivering on economic incentives to win major projects and Tennessee has pro-business laws such as being a right-to-work state.

In terms of costs to operate a corporate office, The Boyd Co. considers Nashville one of the least costly major cities. The company puts the annual costs for a hypothetical corporate office occupying 125,000 square feet of Class A space and employing 500 workers at \$37.5 million here versus \$47 million in San Francisco and \$45 million in New York.

Progressive city with popular 'Music City' brand

Nashville's Mayor Megan Barry's reputation as a progressive who champions causes such as gender equality should appeal to Amazon. The city's strong Music City brand and growing appeal as a destination for young people also should help its cause.

"It has a lot of culture, it has a vibrant night life, it has professional sports and natural amenities like lakes, bike trails and walking trails — the kind of place young people would want to live," UT-Knoxville economist Matt Murray said about Nashville.

Randall Gross, a Nashville-based economic and development consultant, cites the city's recent streak of landing corporate administrative, processing and other back-office functions as a positive if those are the kind of roles Amazon plans for the headquarters.

Brian Moyer, CEO of the Nashville Technology Council, said the local technology workforce is already growing at one of the fastest rates in the country. "Adding a new Amazon headquarter would only bolster the attractiveness of our city as we recruit new tech talent," he said. "The strength of our health care industry could also be a determining factor based on Amazon's recently revealed interest in that sector.

Possible hurdles

Workforce

Once known as the "Athens of the South," the Nashville area has 18 colleges and universities with 123,000 students enrolled and roughly 30,000 annual graduates. That provides a strong base along with proximity to the Fort Campbell military post for Amazon to recruit employees for its second headquarters.

However, Memphis-based site selector Mike Mullis has questions about whether Nashville can meet Amazon's needs or develop the workforce of up to 50,000 people that the retailer is targeting. "Several larger population Tier One cities will be making proposals," he said, adding such locations are better able to meet significant long-term workforce needs.

UT-Knoxville's Fox, however, said companies such as Amazon would normally draw many of the needed employees from elsewhere. In addition, he sees the growing state's reputation for innovations in education with programs such as Tennessee Promise and Tennessee Reconnect improving its college graduation rate.

"When you look at headquarters, you're not making a decision just for 2018, you're making a long-term decision," Fox said. "As a business, you're looking not just at where a state is but where it's going and Tennessee is making great progress in education."

Transit

In its request for proposals for the headquarters site, Amazon listed among core preferences mass transit including direct access to rail, train, subway and bus routes.

Even as Nashville's pursues a \$6 billion transit plan that includes light rail, analysts cite lack of mass transit as perhaps the city's biggest challenge as it prepares a bid. "We certainly are concerned that our current transit system does not meet the needs of the public now and for the future, which is why the Mayor is working to develop a transit plan based on the nMotion Strategic Plan which will be presented to the public later this year and hopefully the voters next year," Barry's spokesman Sean Braisted acknowledged.

Other observers, however, note that Nashville isn't alone with transit challenges. "It's not a strong point, but you have to say this: 'there's no perfect location,'" said site selection consultant Boyd of The Boyd Company. "You bring to the table a positive business climate, an up-and-coming brand, low costs of doing business and attractive operating costs."