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Amazon's second headquarters: Does metro Phoenix have a chance?

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Seattle-based Amazon is looking for another city to build its second headquarters and has plans to invest \$5 billion and create 50,000 jobs.

Amazon.com is dangling a major economic-development carrot with its plan to create a second corporate headquarters, and large cities around the nation are drooling.

The giant online retailer this month announced plans to open a second headquarters somewhere in North America that would be home to up to 50,000 high-paying jobs, along with \$5 billion in anticipated construction spending.

That's in addition to possibly billions of dollars of additional economic activity for the winning area — in support services like accounting and legal companies, for homebuilders and retailers, for local non-profits and so on.

The Phoenix metro area is considered by some observers to have a viable chance of landing HQ2, as Amazon calls its proposed second headquarters, but it's too early to tell much. Cities have until Oct. 19 to submit proposals, and Amazon isn't likely to announce finalists or the ultimate winner until next year.

"We'll be responding on behalf of metro Phoenix, working with Arizona State University, other partners and the governor's office," said Chris Camacho, president and CEO of the Greater Phoenix Economic Council.



(Photo: Associated Press)

Big-city focus

Amazon has specified a few key criteria that it would like to see. This wish list makes it easier to narrow the number of viable candidates.

Amazon said it's seeking to locate HQ2 in a North American metro area with more than 1 million people in a "stable and business-friendly environment." The chosen location, whether urban or suburban, should have the potential to "attract and retain strong technical talent." The company

wants to align with "communities that think big and creatively when considering locations and real estate options."



A woman walks past the Amazon Go grocery store at the Amazon corporate headquarters in June in Seattle. (Photo: Getty Images)

Also, Amazon has expressed a preference for sites located within 30 miles of the nearest big population center and within 45 minutes of an international airport, with mass transit connecting to its headquarters and major roads and highways nearby.

The new location doesn't need to be patterned after Amazon's Seattle campus — a 33-building complex totaling 8.1 million square feet of space, with 24 restaurants/cafes and eight other establishments serving the 40,000 people who work there. HQ2 will be a second headquarters, not a satellite office, the company said.

Tough competition

Phoenix has the amenities Amazon wants, though the competition promises to be intense. Metro Phoenix has ample available land compared to many large cities, an international airport that's within easy reach of downtown, a network of freeways, adequate mass transit and centers of

higher learning focused around Arizona State University. Roughly 6,000 of Amazon's 380,000 employees currently work in Arizona.

Also, Gov. Doug Ducey is regarded as a pro-growth governor, and the Greater Phoenix Economic Council is viewed as one of the better development entities in North America, said John Boyd of the Boyd Co., a corporate site-selection firm in Princeton, New Jersey.

Phoenix also might have an advantage in that Amazon needs bilingual workers and is expanding into Latin America, he added.

Tucson is also bidding — dramatically and personally — for Amazon. The *Arizona Daily Star* reported that Sun Corridor, a Tucson economic-development agency, is sending a 21-foot saguaro to Amazon CEO Jeff Bezos.

Boyd doesn't see metro Phoenix as a frontrunner. Rather, he narrows that list to a handful of Eastern metro areas — Atlanta, Boston, Philadelphia, south Florida and central New Jersey. Other strong contenders, in his view, include Chicago and Toronto.

Many of these areas have world-class universities, extensive mass-transit systems, more international air connections and more highly developed technology centers. Amazon said it's especially interested in a local labor force that includes professionals in software development and related fields.

Incentive packages

Another factor is Amazon's desire to receive a good deal in terms of public-sector incentives. This could include a combination of state income-tax credits, property-tax abatements, workforce-training dollars, infrastructure-incentive grants and other goodies, said Ron Starnier, executive vice president of Conway Inc., an Atlanta company that publishes Site Selection Magazine.

“We will have a comprehensive evaluation of market value as opposed to a big incentive package.”

Chris Camacho, Greater Phoenix Economic Council

Typically, when companies relocate headquarters or open large operations in a new area, they receive incentives worth \$10,000 to \$15,000 per job created, Starnier said. With Amazon envisioning up to 50,000 jobs at HQ2, the winning metro area might need to ante up \$500 million or more.

It's uncertain which cities and states will offer such massive incentives, though Starnier questions whether California and its cities will step up to the plate. Debt-strapped Illinois and Chicago also might have problems competing. Illinois currently has a credit rating just one notch above junk-bond status.

Camacho said GPEC and its partners haven't finalized their public-sector incentives yet, but he indicated the package will focus on metro Phoenix's arts and cultural scene, air connections through Sky Harbor International Airport, freeways and other transportation networks, education, recreational attractions and various other factors that give the Valley solid ratings as an attractive place to live.

"We will have a comprehensive evaluation of market value as opposed to a big incentive package," he said.

Starner includes Phoenix among the 10 metro areas he thinks could land HQ2, along with Denver, Dallas-Fort Worth and Austin, Texas, in the West. His other front-runners are Atlanta; Boston; Chicago; New York; Washington, D.C.; and Toronto.

Recent relocations

The Phoenix metro area has had some success in recent years luring larger public corporations to set up shop here. For example, Magellan Health moved its headquarters from Connecticut to Scottsdale, Rogers Corp. left Connecticut for Chandler, and Carlisle Cos. switched its home from North Carolina to Scottsdale. Versum Materials recently established its headquarters in Tempe after having been spun off from Air Products.

Amazon expects the 50,000 or so jobs in the new headquarters city to eventually pay more than \$100,000 on average 10 or 15 years down the road. Amazon envisions offering its current staff in Seattle the choice of staying there or relocating to HQ2.

That option could give metro Phoenix an edge, representing as it does a sunny, low-cost-of-living alternative to dreary, higher-priced Seattle, with more affordable housing.

But it also could work against Phoenix and other Sunbelt locations like Atlanta and Austin if Amazon perceives too many employees might want to move to a land of inexpensive housing.

"They probably don't want to pick a location that's too cheap because people might bank the money and run," Starner said.