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Now we know the top contenders for Amazon's HQ2

John Pletz on Tech – January 18, 2018



Photo by Thinkstock

After a couple months of speculation, Chicago now knows who its competition is for Amazon's huge expansion project.

Chicago was picked as one of 20 cities or metro areas that Amazon will consider for a second headquarters outside Seattle, where the e-commerce giant could hire as many as 50,000 people over the next 10 to 15 years.

“Yesterday there were 238 cities; today there are 20,” said John Boyd Jr. of Boyd Co., a relocation consulting firm in Princeton, N.J. “Chicago, to no one's surprise, is on the list. It would be malfeasance if Chicago weren't on this list.”

The city was confident and hopeful it would make the cut, but there was no way to be certain until officials got a call early Thursday. “As companies including GE Healthcare, ConAgra and McDonald's have concluded, Chicago offers unparalleled opportunities, and we are going to continue to work as a region to make the case to Amazon that Chicago is the ideal location for HQ2,” Mayor Rahm Emanuel said in a statement. “We are prepared to compete at the next level and the next level after that.”

The 20 finalists picked by Amazon are a broad mix of cities big and small, ranging from Columbus, Ohio, and Indianapolis to Los Angeles and New York. In addition to Chicago, it includes many of the early favorites, including Austin, Denver, Boston, Toronto and Washington, D.C.

“I think cities like Columbus, Indianapolis and L.A. are on this list for other reasons,” Boyd said. “This is a list that every part of the country is represented. Amazon doesn't do anything without accounting for the branding impact.”

Another surprise: Three of the 20 finalists are near the nation's capital, where Amazon has 2,500 employees and Bezos owns the Washington Post. “That's a tell,” said Mark Zandi, chief economist for Moody's Analytics. “I think they're leaning in that direction.” Crain's identified Washington, D.C., as a top contender after Amazon announced the HQ2 bake-off in September.

The Final 20

Amazon narrows list to these cities for location of its second headquarters



Source: Bloomberg

Bloomberg

Amazon initially said it expected to make a decision in the first half of 2018, but now the company says only that it will happen sometime this year.

Amazon said it “evaluated each of the proposals based on the criteria outlined in the RFP to create the list of 20 HQ2 candidates that will continue in the selection process. In the coming months, Amazon will work with each of the candidate locations to dive deeper into their proposals, request additional information, and evaluate the feasibility of a future partnership that can accommodate the company's hiring plans as well as benefit its employees and the local community.”

Next up are site visits, but none has been scheduled so far, said a source familiar with Chicago's bid.

Amazon first announced its search for a second headquarters in September, prompting a rush of bids from cities around North America to host the company. Chicago was seen as a likely contender, based on Amazon's criteria of wanting to be in an urban area with more than 1 million people within 45 minutes of an international airport and preferably have direct access to mass transit.

Amazon will be paying close attention to the bottom line. It has been aggressive and savvy in pursuing tax breaks, pulling in an estimated \$1.3 billion over the past 15 years, especially as it has built out distribution centers for same-day delivery.

Amazon has not revealed the incentives that cities and states have offered it in proposals. New Jersey, widely seen as one of the most aggressive bidders, passed an incentive package valued at \$7 billion.

Chicago, like many other cities, was tight-lipped about its bid, worrying about tipping its hand early in a process that could drag on for months. But the broad strokes of the deal quickly emerged, revealing a package estimated at \$2.25 billion. The biggest piece is \$1.4 billion in tax credits from Illinois' Economic Development for a Growing Economy (Edge), which program was revived in September 2016, just in time for the Amazon sweepstakes. Edge provides for corporate income tax credits that could be used to offset individual withholding taxes associated with new jobs.

Chicago, meanwhile, is also on the short list—along with Dallas, Atlanta and Boston—for a major Google office hub that could potentially bring as many as 5,000 jobs. And yesterday, Apple announced it's planning to build another corporate campus and hire 20,000 workers during the next five years. There's no word on where that new campus would be located, though Emanuel confirmed to Crain's that Chicago will make a pitch.