Keeping watch
Downtown STL’s Kelli McCrory
stands guard for visitors to the
Central Business District.
CHARACTER, 10

TALENT GAP
LIMITS LOCAL
AMAZON PURSUIT

ST. LOUIS’ SLOW-GROWING
WORKFORCE COULD BE
THE BIGGEST OBSTACLE TO
LANDING AMAZON’S
$5 BILLION SECOND
HEADQUARTERS. 8

INCENTIVES
SAFETY
QUALITY
OF LIFE

STILL LAGGING
Banks struggle to keep up with national trends
Despite gains in several categories, community banks still aren’t measuring up to their national counterparts.
GREG EDWARDS, 4

ON DISPLAY
AIA announces its 2017 Design Awards
The American Institute of Architects - St. Louis bestows this year’s honors in architecture, interiors, drawings and other segments. 18

Ray Barrett sells off biomedical systems

Matt Gordon gets technical with A-B shipments

Women-owned businesses 12, 14

The List
TECH TALENT SUPPLY IS BID FOR AMAZON’S 2ND

By Brian Feldt and Jacob Kirn
bfeldt@bizjournals.com, jkirn@bizjournals.com

For St. Louis to win Amazon’s planned $5 billion second headquarters, it will have to overcome a major obstacle: a talent shortage.

Amazon prefers an urban site that can attract or retain some 50,000 new employees—many of them software developers. St. Louis, according to data, falls short in that regard.

The number of software developers in the region shrank by 4.2 percent between 2011 and 2016, to just more than 14,000 employees, according to a 2017 report by commercial real estate firm CBRE analyzing tech talent in the nation’s largest markets. That represented the largest drop in coding workers for any of the 50 markets CBRE analyzed.

St. Louis’ broader tech talent pool, which also includes computer support, information systems and other engineering-related jobs, grew by roughly 8 percent during the same period, far slower than that of most other large cities, CBRE’s report shows.

And St. Louis will have stiff competition: once Amazon on Sept. 7 announced its request for proposals for the second headquarters, it opened a bidding war among dozens of cities hungry for the massive investment.

Joseph Parilla, a fellow at the Brookings Institution’s Metropolitan Policy Program, said Amazon’s requirements “inevitably favor places that have a larger pool of existing workers to offer them, and that’s where St. Louis, in the grand scheme of large cities, falls short.”

“(Amazon) isn’t going to go to a place where the only way they can meet their hiring requirements is by pillaging every other existing company in the region,” he said. “Nor are they going to want to rely solely on the fact that people will relocate to work there.”

David Kocs, principal at TDK Technologies, one of the area’s largest IT consultancies, said “demand is way higher than the supply” for software developers in St. Louis.

“I don’t know anybody that can say we’re finding enough talent, especially larger companies,” he said. “If Amazon came (to St. Louis) and had to hire all from what is already here, there’s no way they could do that.”

Parilla’s research suggests 20 metro areas have the “table stakes” – those attributes that meet the fundamental requirements of what Amazon is looking for – to land the project.

The closest to St. Louis are Chicago, Minneapolis and Dallas.

Still, regional boosters like St. Louis County Executive Steve Stenger are aggressively pursuing Amazon. The St. Louis team includes Mayor Lyda Krewson and St. Louis Economic Development Partnership CEO Sheila Sweeney.

“We have Washington University, SLU, UMSL, Maryville, Lindenwood and an excellent community college system,” Stenger said. “To think we can’t ramp up tech programs at all of these institutions and that they somehow don’t have tech programs is wrong.”

Currently, St. Louis universities and colleges graduate about 1,500 students with information technology degrees each year, according to data provided by St. Louis Community College’s Workforce Solutions Group.

Linda Martinez, deputy mayor for development for Krewson, pointed out that Amazon won’t need 50,000 jobs at once. “We need to look at the glass being more than half full,” she said. “We are an amazing area.”

‘HOLY GRAIL OF ECONOMIC DEVELOPMENT’

A growing tech workforce may be St. Louis’ biggest obstacle, but the city meets many of Amazon’s other requirements.

Washington University is one of the largest research universities in the country, and the St. Louis region is home to five of the top 200 colleges in the nation, according to U.S. News & World Report’s latest ranking.

Missouri’s possible status as a right-to-work state

Behind the Pack

St. Louis’ tech talent pool grew by roughly 8 percent between 2011 and 2016, a rate far slower than most other large cities.

St. Louis also ranked poorly for talent leaving the city, otherwise known as brain drain. The graphic below shows the difference between where tech workers are employed and where they were educated. In St. Louis’ case, nearly 3,000 more tech degrees were earned than new tech jobs created between 2011 and 2016.

Washington, D.C. -16,400
Pittsburgh -9,700
Philadelphia -3,300
Detroit +1,000
Denver +3,500
Minneapolis +5,200

Atlanta +20,600
SF Bay Area +80,500

+00/06+

BRAIN DRAIN OR GAIN?

Boston -19,500
Los Angeles -12,900
St. Louis -2,700
Chicago +4,300

New York +13,500
Houston +14,700
Dallas +22,600

-19,600
-9,600
+4,200
+13,500
+80,500

Source: CBRE
HURDLE FOR ST. LOUIS HEADQUARTERS

is a plus for Amazon, said John Boyd, a site consultant with New Jersey-based The Boyd Co.

The St. Louis area has miles of unused fiber already laid underneath its streets — mostly owned by AT&T and Charter Communications — providing good connectivity.

And the region has cheap real estate options to make a quality bid. "We’re centrally located, have great access to rail, rivers, roads and have an airport with capacity," said Stenger, adding that the region’s mass transit, including MetroLink and buses, would also be sufficient. "There are also great cultural institutions, parks, trails. We have an awful lot to offer, and we are a community that is hungry for expansion and growth."

Boyd said St. Louis’ biggest strength is that it’s dissimilar to Seattle, Amazon’s home city. "Logistically speaking, St. Louis is in the sweet spot for Amazon," Boyd said. "But there are underlying themes that don’t get as much play. Seattle is a love-it-or-hate-it city and there isn’t much middle ground. From the weather to the demographics, it’s ultra progressive. That compromized Boeing’s ability to attract the best and brightest before they moved their headquarters to Chicago. Amazon is experiencing the same thing. St. Louis could bring some centrality to the company."

And Boyd said the talent shortage may not be such a big barrier. "It’s such a special company," he said. "This is an employer of choice and it is the type of company that people relocate for."

All considered, Boyd said St. Louis is in position to make a strong pitch for the project, which he called "the holy grail of economic development."

> TECH TALENT LABOR QUALITY VS. COST

| HIGH LABOR COST, EXCEPTIONAL LABOR QUALITY | San Francisco, Seattle |
| MODERATE LABOR COST, VERY HIGH LABOR QUALITY | Washington, D.C., New York, New Jersey, Boston, Denver, Atlanta, Austin, Chicago, Portland, Houston, Dallas, Baltimore, Raleigh-Durham, Philadelphia |
| MODERATE LABOR COST, HIGHER LABOR QUALITY | St. Louis, Minneapolis, Sacramento, Phoenix, Orlando, Salt Lake City |
| MODERATE LABOR COST, MODERATE LABOR QUALITY | Virginia Beach, Columbus, Richmond, Hartford, Jacksonville, Charlotte, San Antonio |
| GOOD LABOR COST, LOW LABOR QUALITY | Omaha, Tampa, Rochester, Cleveland, Cincinnati, Nashville, Milwaukee, Oklahoma City, Kansas City |

SOURCE: CBRE

In November 2018, the Business Journal analyzed St. Louis’ pressing need to find more IT workers as local companies led by Square and KPMG planned to hire roughly 10,000 technology-related workers by 2020. "I haven’t stopped hiring for the last two years," said Steve Ambrosius, senior principal with IT consulting firm Daugherty Business Solutions. "I’d love to grow 30 percent next year, but the one thing holding me back is treatment from the state with regard to Kansas City, which is also pursuing a bid. A spokesman for Gov. Eric Greitens did not respond to a request for comment.

Officials with St. Clair County, Illinois, have said they’ll also bid. Stenger said "a decision has not been made" on whether to try to bring St. Clair County into the fold.

The St. Louis group said it has identified a dozen initial sites for an Amazon second headquarters, which could require up to 8 million square feet. These include the north Mississippi riverfront, downtown St. Loui (including the vacant AT&T tower and sites south of Interstate 64). Fenton Logistics Park (the old Chrysler plant). NorthPark (the old Ford plant), the former MetLife (German American) facility in South County and a site in Wellston.

Stenger said the sites would be narrowed down, but that the final proposal could include "sites that were aggregated in some fashion." "An innovative and creative approach that’s connected is possible," Sweeney said.

Stenger said so far, work on the project is being done within the region’s current "economic development apparatus," meaning extra money isn’t being spent.

Bob Clark, chairman and CEO of construction firm Clayco, and architecture company HOK are doing pre-bid work on the project, Stenger said.

M A S T E R O F I N C E N T I V E S

Parilla, the Brookings fellow, said Amazon likely already has a short list of places where the company believes it can thrive, and is playing cities against one another to find the best subsidy package possible.

"Amazon is a master of incentives and they’ve successfully crafted winning deals for themselves in nearly every state," Boyd said.

Much like the deal to get local work on Boeing’s 777X commercial jetliner, incentives for Amazon would likely include help from the state of Missouri.

Sweeney said the state legislature may have to adjust incentives, perhaps in a special session, to craft an Amazon package.

She would not speculate as to when incentives, from the state or locally, would need to be approved and said she didn’t know whether St. Louis would disclose its bid publicly prior to Amazon’s deadline, Oct. 19.

Stenger said St. Louis hoped at least to get equal

Large Tech Talent Markets (>50,000 Labor Pools)

<table>
<thead>
<tr>
<th>MARKET</th>
<th>TECH TALENT TOTAL</th>
<th>PERCENT CHANGE</th>
<th>BY VOLUME</th>
</tr>
</thead>
<tbody>
<tr>
<td>SF Bay Area, CA</td>
<td>328,070</td>
<td>49.9%</td>
<td>106,290</td>
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<tr>
<td>New York, NY</td>
<td>246,180</td>
<td>32.9%</td>
<td>60,962</td>
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<td>Washington, D.C.</td>
<td>243,360</td>
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<tr>
<td>Toronto, ON</td>
<td>212,500</td>
<td>31.8%</td>
<td>51,300</td>
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<td>Dallas/Ft. Worth, TX</td>
<td>161,500</td>
<td>33.4%</td>
<td>40,310</td>
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<tr>
<td>Chicago, IL</td>
<td>143,190</td>
<td>32.8%</td>
<td>35,370</td>
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<tr>
<td>Seattle, WA</td>
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<td>Atlanta, GA</td>
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<td>Los Angeles, CA</td>
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<td>Boston, MA</td>
<td>115,560</td>
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<td>11,790</td>
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<tr>
<td>Minneapolis, MN</td>
<td>95,220</td>
<td>25.5%</td>
<td>19,340</td>
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<td>Detroit, MI</td>
<td>78,510</td>
<td>40.7%</td>
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<td>Philadelphia, PA</td>
<td>77,700</td>
<td>27.1%</td>
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<td>Denver, CO</td>
<td>71,310</td>
<td>29.0%</td>
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<td>Baltimore, MD</td>
<td>67,710</td>
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<td>Austin, TX</td>
<td>68,810</td>
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<td>Orange County, CA</td>
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<td>San Diego, CA</td>
<td>66,340</td>
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<td>Vancouver, BC</td>
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<td>St. Louis, MO</td>
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