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Chicago will bid for Amazon's second headquarters — and its 50,000 jobs

Ryan Ori and Lauren Zumbach - Reporters, Chicago Tribune – September 7, 2017



Chicago is trying to lure Amazon's second headquarters, which could bring as many as 50,000 jobs. There are only a handful of sites in the city that could handle the 8.1-million-square-foot project.

Chicago is chasing one of the country's largest corporate headquarters deals in years, joining what is sure to be a fierce competition to land Amazon's second headquarters.

The city plans to respond to Amazon's request for proposals for the new 50,000-employee campus, said a spokesman for Mayor Rahm Emanuel.

Emanuel "has spoken with (Amazon founder and CEO Jeff) Bezos several times about picking Chicago," said the spokesman, Grant Klinzman, in an email.

The Seattle-based e-commerce giant on Thursday said it plans to invest more than \$5 billion to create a second headquarters in another North American city, with buildings potentially totaling

more than 8 million square feet and creating 50,000 jobs over the next 10 to 15 years. The positions will pay an average of more than \$100,000 annually, Amazon said.

Amazon said "HQ2" will serve as a second headquarters of equal importance to its current 33-building, 8.1 million-square-foot Seattle campus.

"This is the Cadillac of corporate headquarters," said John H. Boyd, principal of The Boyd Co., a Princeton, N.J.-based corporate site selection consultancy. "This is the white-collar project of the decade," Boyd added.

One advantage for Chicago is the availability of viable development sites. Within North America's most densely populated cities, there are relatively few big, well-located sites that could accommodate Amazon's vision.

Chicago candidates could include almost 60 acres of riverfront land developer Sterling Bay has been assembling on the North Side — which includes the former A. Finkl & Sons steel plant site — and Related Midwest's vacant, 62-acre parcel along the river in the South Loop. Both developers already are drawing up multibillion-dollar developments of those sites.

Another large, mostly vacant site is the 49-acre former Michael Reese Hospital property in Bronzeville, which had once been proposed as the Olympic village as part of Chicago's bid for the 2016 Summer Games. A group of developers, including Draper & Kramer and Farpoint Development, has been chosen by the city to redevelop the site south of McCormick Place.

One existing building that could be proposed is the former old main post office along the river and Congress Parkway. The long-vacant, hulking structure is only about one-third the size of Amazon's eventual requirement, but the property includes land that could be developed with additional buildings. New York-based developer 601W Cos. already has begun extensive construction work as it seeks office and retail tenants.

In pursuing Amazon, Emanuel is trying to build momentum of recent years in which the city has lured headquarters from the suburbs and from out of state. Chicago's list of recent or planned relocations includes McDonald's, Kraft Heinz, Conagra Brands, Archer Daniels Midland, Motorola Mobility, Hillshire Brands, Beam Suntory, Gogo and Motorola Solutions.

HQ2 is in an entirely different realm, though, because of the combination of the sheer size of the deal and Amazon's standing as one of the world's most ubiquitous brands.

Consider, by comparison, Motorola Mobility's move to more than 600,000 square feet in the Merchandise Mart in 2014. Then-parent company Google's decision to move Motorola Mobility downtown from Libertyville remains among the largest new office leases in downtown Chicago of the 21st century, and one of the largest shifts of jobs within the area in decades. That deal brought about 2,000 jobs to Chicago, about 4 percent of Amazon's eventual HQ2 total.

Amazon's list of suitors is likely to be long, and other cities and states are likely to offer generous incentive packages that will be difficult for fiscally challenged Chicago and Illinois to match. "The initial cost and ongoing cost of doing business are critical decision drivers," the company said in a description of the search process.



The highly public manner in which Amazon announced its search for a second headquarters suggests the company will place a high value on the incentive packages, said Ron Starner, executive vice president at Atlanta-based Conway, a corporate expansion and relocation consultancy that publishes Site Selection Magazine.

"They've grabbed a giant bullhorn and announced to the world, 'We want to maximize incentives,'" he said.

Illinois Gov. Bruce Rauner recently said he plans to sign a bill to extend the state's corporate tax incentive program, EDGE — short for Economic Development for a Growing Economy — after it expired in May.

Sarah Schwartz, marketing and communications manager at Intersect Illinois, the state's nonprofit economic development arm, declined to comment on the Amazon project, but said the state "has a wonderful relationship with Amazon" and "plans to pursue any project that could benefit Illinois and its people."

Experts cite the state's political dysfunction, pension liabilities and taxes as key shortcomings in attracting big employers.



Chicago will bid for Amazon's second corporate headquarters in North America, a project that could bring as many as 50,000 high-paying jobs. The Seattle company's Sunnyvale, Calif., offices are pictured here.

Yet Chicago remains a low-cost alternative to many coastal cities when it comes to expenses such as wages and real estate costs.

Amazon "is going to follow the money," said James Shein, professor of strategy at Northwestern University's Kellogg School of Management.

But incentives aren't the only factor. Corporations tend to relocate where their top executives want to live, Shein said. "The living style is excellent here, and that's critical," he said.

The company didn't name any potential locations, saying only that it will consider urban or suburban locations in metropolitan areas of at least 1 million people in a "stable and business-friendly environment."

Amazon said it will consider sites in and around urban areas with access to international airports, major highways and public transportation. The description matches technology centers such as San Francisco and Silicon Valley, major cities such as New York, Chicago, Los Angeles, Toronto and a large number of other metro areas in North America.

"We expect HQ2 to be a full equal to our Seattle headquarters," Bezos said in a news release. "Amazon HQ2 will bring billions of dollars of up-front and ongoing investments, and tens of thousands of high-paying jobs. We're excited to find a second home."

Once the new campus is created, executives can choose to have their teams located in Seattle, the new headquarters, or both, the company said.

Through its investments in Seattle from 2010 through 2016, Amazon said it has added \$38 billion to Seattle's economy.

The company said it is asking cities and metropolitan areas to turn in requests for proposals by Oct. 19, and plans to choose a location next year. Municipalities can propose multiple potential sites, which could include existing buildings, vacant land or a combination.

Bidders should "think big and creatively when considering locations and real estate options," the company said.

In the first phase, Amazon would move into at least 500,000 square feet of space in 2019. The campus' footprint would expand to as much as 8 million-plus square feet in several construction phases extending "beyond 2027," according to Amazon.

Amazon has more than 380,000 worldwide employees, including more than 40,000 at its Seattle headquarters.

Amazon has more than 200 employees in a downtown Chicago office, and recently enlarged the space to make room for another 200. The company also has distribution centers throughout the Chicago area and the state. Amazon recently said it expects to have more than 8,000 workers in Illinois by the end of 2018.