

Microsoft's Massive Moves In Atlanta Show How Much Has Changed For Big Tech After HQ2

March 16, 2021 Jarred Schenke, Bisnow Atlanta

Two Seattle-based tech giants worth more than a trillion dollars, founded by two of the four richest people on Earth, set out to open a headquarters-sized office campus in a gentrifying area of a new city. The first notoriously backtracked on its ambition after a local uproar. The second is trying to avoid the same fate.



A Microsoft sign like this will likely go up around Atlanta as part of the company's announced plans for massive expansion in the metro area.

When Microsoft announced last month that it is planning to build a large office campus in the Grove Park neighborhood in Westside Atlanta, it didn't focus on the jobs it was creating or the incentives it was hoping to receive. The company committed to building affordable housing and gaining community trust before discussing a single square foot of office space.

“We understand the impact that an investment of this size has on a city like Atlanta,” Microsoft President Brad Smith wrote in a blog post. “It has huge potential, but if not done right, the downsides can outweigh this promise.”

The tone is a seismic shift away from how economic development deals have been announced in the past. Companies have traditionally signaled their intentions to expand or relocate to a new city, invited competing bids and anointed a winner. But when Amazon turned its search for a second headquarters into a nationwide sweepstakes, luring hundreds of cities and towns to offer it the best deal, it added fuel to the fire of critics who had spent years denouncing corporate tax incentives.

“I think Microsoft learned some lessons from the Amazon HQ2 experience,” said John Boyd, the principal of The Boyd Co., a corporate site selection consultant. “Just the swagger that Amazon carried out, that sort of the in-your-face swagger, which is sort of in their brand as well, there were clearly issues that that brought forth.”

But the backlash to Amazon HQ2 was one flashbulb moment in the larger tide of social, political and corporate governance movements in recent years that is threatening to turn traditional economic development on its head.



Courtesy of The Boyd Co. The Boyd Co. principal John Boyd

The term itself has even been modified for a new era; cities are increasingly promoting equitable development over economic development.

“Equitable economic growth or equitable recovery ... is being adopted formally in economic development plans across the country at the local level,” The National Association of Counties Chief Economist Teryn Zmuda said.

Some local governments were pushing for equitable economic development measures well before Amazon's second headquarters backlash, Zmuda said, and that trend gained momentum during the coronavirus pandemic.

In 2020, the St. Louis Development Corp. released a 445-page “Equitable Economic Development Framework” plan that is set to dictate how the Missouri city engages in economic development activity, including incentivizing economic development to close existing employment, wage, entrepreneurship and wealth gaps for people of color.

Also last year, Indianapolis enacted policies that required companies seeking tax incentives to ensure new jobs would pay a minimum wage of \$18/hour with benefits. The city also requires companies to reinvest 5% of the tax savings into programs like employer-supported daycare, youth job skills training programs or improving transit infrastructure.

“I would like to think that the opportunities for companies to get what they want without any responsibility is coming to a close. I won't say it won't ever happen again. But increasingly public officials and business officials are being held responsible by the public and the media, and that's as it should be,” Aspen Institute Director Mark Popovich said.

Danya Perry was hired by Wake County Economic Development in 2018 as the director of equitable economic development for the North Carolina county that includes the capital city, Raleigh. Perry has spearheaded diversity, equity and inclusion efforts in the years since, including incentivizing higher-paying jobs and locating developments in disadvantaged communities.

“We stand on the intersection [that] this is not only the right thing to do but also gives us the competitive edge,” Perry said. “It’s a superior growth model.”



Wikipedia/Oleandrin Construction on the Westside Park in Atlanta, which will be next to Microsoft's planned campus, taken in February 2020.

Microsoft hasn't publicly disclosed the full scope of its plans in Atlanta; *Bisnow* has previously reported it discussed a campus for up to 15,000 workers in preliminary meetings with local officials.

When it announced it bought the Quarry Yards parcel in Grove Park on Feb. 11, Microsoft focused less on the jobs it was creating and more on what it planned to do for the city and the communities around its future campus.

"We will take a phased approach so we can listen to and learn from the community before we make decisions about our design for Quarry Yards and Quarry Hills," Smith, the No. 2 executive at Microsoft under CEO Satya Nadella, wrote in a blog post.

The company still hasn't said how many workers it plans to hire long-term or how many square feet it will build. The company's landing page for its Atlanta plans mentions initiatives like reserving 25% of its 90-acre tract for affordable housing and other community needs and pledges to support nonprofits, fund job training, provide affordable broadband to more people in Atlanta and support Atlanta's Historically Black Colleges and Universities. These initiatives have been welcomed by many residents in the Westside Atlanta communities around Quarry Yards.

"I'm very hopeful, and I guess I'm very excited," said Keona Jones, a resident of the Dixie Hills neighborhood, 2 miles south of Microsoft's 90-acre site. Jones is an active member of her local neighborhood association, the Dixie Hills Community Civic Club.

Jones said Microsoft is scheduled to make a presentation to her neighborhood association in the near future to talk about the potential resources the tech giant will provide local organizations.

"Microsoft is, to my knowledge, probably the first" company to present to her group, she said.

Ashley Sanchez, a resident near the Microsoft site, is vice chair of one of Atlanta's neighborhood planning units that will be impacted by the tech giant's project. Sanchez said the walkable community around Westside Park, which is covered by her NPU, is in a food desert, with no grocery stores within walking distance other than many convenience stores.

"You probably have 20-25 convenience stores, but yet you do not have a grocery store," Sanchez said. "I do think that [the Microsoft campus] is a good opportunity to uplift the neighborhood."

During the February press conference announcing the acquisition with Atlanta Mayor Keisha Lance Bottoms and Georgia Gov. Brian Kemp, Microsoft Vice President Michael Ford said the tech company would encourage developers to add a grocery store, a pharmacy and a bank branch to the neighborhood.

When Amazon announced on its website its intention to build a large campus outside of its Seattle headquarters in 2017, it highlighted the \$5B it planned to spend on a new campus and the 25,000 jobs that it would create.

Amazon's request for proposals asked communities across the country to bid for HQ2, and to provide the company with information on the labor pool, existing higher education facilities in the area, transit options, travel times and congestion peak hours. It said the winning city would be a cultural fit, have a stable business climate with elected officials "eager and willing to work with the company" and a high quality of life.

Amazon also asked for another key factor in the applications it received: the total value of local and state incentives it would get for HQ2.

"The initial cost and ongoing cost of doing business are critical decision drivers," Amazon wrote in the RFP.

That factor became the driving narrative in many stories that followed Amazon through its decision-making process.



Bisnow/Jon Banister Signs in support of and opposition to the Amazon HQ2 incentives at a 2019 Arlington County Board hearing.

“Amazon’s search for a new headquarters did one thing for the field: It widened public visibility — and scrutiny — on traditional economic development tactics,” Brookings Institution Vice President Amy Liu said. “It brought widespread criticism of the use of marketing ploys and big tax incentives to woo jobs.”

When Amazon announced that it was splitting its HQ2 between Crystal City, Virginia, and Long Island City in 2018, it was largely welcomed in Virginia, where it was coming to an existing office district in a wealthy area that had been struggling with vacancy. The nearly \$2B incentive package offered came in the form of a \$1B new campus for Virginia Tech, nearly \$200M in infrastructure improvements and the remainder in tax breaks.

The reaction was far harsher in New York, where some politicians, activists and residents in the rapidly gentrifying area of Queens focused their anger on the \$3B in cash and tax incentives. While Amazon struck a deal after behind-closed-doors negotiations with Gov. Andrew Cuomo and Mayor Bill de Blasio, liberal state legislators and city council members lined up in opposition, citing a lack of promises to alleviate the city’s housing crisis and Amazon’s anti-union stances.

That backlash was what Amazon cited as its reason to pull out of Queens.

“A number of state and local politicians have made it clear that they oppose our presence and will not work with us to build the type of relationships that are required to go forward with the project we and many others envisioned in Long Island City,” the company wrote in a Feb. 14, 2019, blog post announcing there would be no HQ2 in New York.

Microsoft’s proactive approach hasn’t prevented the same displacement fears Amazon faced from popping up around Grove Park.

On March 8, members of the Westside Park Equitable Development Task Force sent a letter to Bottoms calling for the city to take “immediate and aggressive actions” to halt gentrifying forces propelled by the coming Westside Park and the Microsoft development, the Atlanta Business Chronicle reported.

“As the largest infrastructure project in the City of Atlanta, the Westside Park, now compounded by the new Microsoft development, is already having massive inequitable gentrification and displacement effects on our community,” the task force wrote in the letter. “Our community continues to suffer as it loses neighbors, friends, and family to gentrification and displacement brought on by the impending Park opening and Microsoft development.”

While hopeful, Sanchez said legacy residents in her community are still concerned about the company’s impact given the potential size of its ambitions there.

“With [Microsoft] developing and doing that, it affects everyone around that,” she said. “I don’t think any company is ever going to address the concerns, because the concerns are perpetual.”

Big tech companies like Microsoft might have less-than-altruistic reasons for pursuing an equitable development strategy and eschewing municipality bidding wars. In recent years, technology leaders and their companies have come under congressional and regulatory scrutiny over antitrust concerns.

“Companies that face scrutiny from the federal government and regulators ... are even more sensitive to these issues because they want to build goodwill with the public and from these regulators,” Boyd said. “And big tech is in the crosshairs of policymakers like never before.”

This scrutiny doesn’t look to be ebbing under President Joe Biden’s administration, either. Earlier this month, the White House appointed Columbia University Law School professor Tim Wu, who wrote “The Curse of Bigness: Antitrust in the New Gilded Age,” to the president’s National Economic Council, a signal that the White House may be taking a tough stance against tech firms on antitrust issues.

Popovich said he is seeing the equitable economic development trend going beyond just big companies.

“It’s easier to do it first on the big projects ... but this practice is spreading down,” he said.

As part of the overall corporate environmental, social and governance push in recent years, Boyd said companies pushing for more equitable economic development also will help them in their recruitment of new talent, especially among millennials who prioritize social justice.

“It's also just the national zeitgeist,” Boyd said. “We talk about the coveted millennial demographic, not only preferring to work for companies engaged in social impact, but also buying products and services from companies with a track record.”

Since Microsoft's Quarry Yards announcement, Airbnb has also made public plans for a major technology hub in Atlanta, one that will hire hundreds of technical and non-technical roles over time. In its press release, Airbnb said Atlanta's HBCUs were key reasons for its decision to locate in Atlanta as the Bay Area-based company focuses on diversity and a creative culture. It also vowed to return any public incentives back to the city of Atlanta to assist in community impacts.

“I think the era of big tech companies accepting tax incentives without clear community engagement and benefit is over,” Liu said.