

Amazon Seeks Prime Location for Its Second Headquarters

The tech giant plans to invest over \$5 billion to build and operate 'HQ2,' which is expected to employ up to 50,000 workers

by Laura Stevens, Shayndi Raice and Cara Lombardo, WSJ © 2017 (Date Published 9/7/2017)

Amazon.com Inc. on Thursday launched an unusual plan to establish a second corporate headquarters in North America, signaling the online retail giant's growth ambitions for the years ahead and setting off a race among local and state governments hoping to win it over. Amazon said it was soliciting proposals for a new campus location, which eventually could result in the company investing more than \$5 billion and creating up to 50,000 high-paying jobs, many in software development and most of them new. Proposals are due Oct. 19, with a decision expected next year. The move to build a second headquarters, which Amazon Chief Executive Jeff Bezos envisions as a full equal to the company's Seattle campus, follows years of rapid growth.

The company has built dozens of new warehouses in the U.S. and around the world to fulfill online orders quickly, and recently wrapped up a roughly \$13.5 billion acquisition of grocer Whole Foods Market Inc. The new hiring comes on top of the 100,000 full-time jobs that Amazon said in January it would be adding through mid-2018, mostly in its fulfillment centers. Cities from Toronto to Chicago to Denver raised their hands Thursday, saying they would submit proposals. The competition to win Amazon's business likely will be fierce and could break records for tax incentive packages, according to consultants who advise companies and governments on such deals.

"I would expect the interest to be unmatched and unrestrained by every location, even ones that really don't have much of a shot," said Mark Sweeney, partner at the Greenville, S.C.-based McCallum Sweeney Consulting. Mr. Sweeney's firm advised Boeing Co. on its \$3.2 billion tax-incentive package with the state of Washington in 2003 to manufacture a new jet there. In 2013, Boeing Co. received an \$8.7 billion tax-incentive package with the state of Washington that set a U.S. record. Mr. Sweeney, who didn't work on that deal, anticipates states will offer Amazon a package in "that neighborhood."

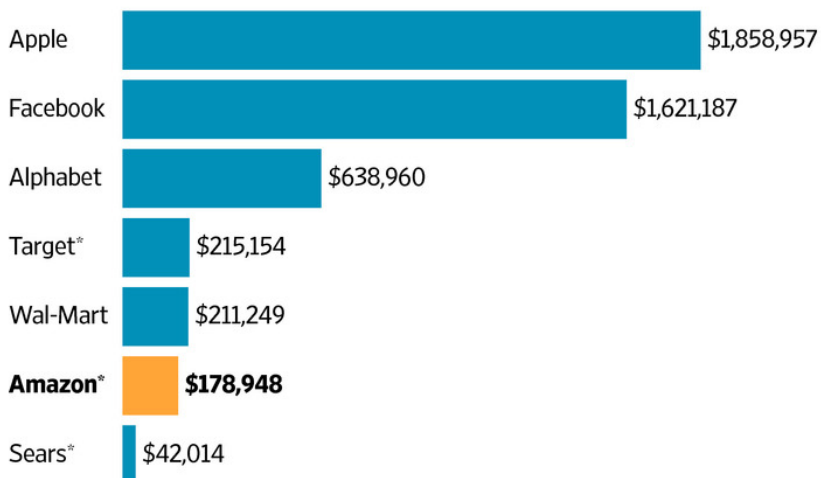
In addition to tax breaks on property, state and city income tax, Mr. Sweeney says states could offer to pay

Amazon cash through tax rebates. Other incentives such as grants for training employees, adding public transportation or expedited permit approvals could also be part of a deal, consultants said. Amazon said it would prefer its new headquarters to be in a metropolitan area with more than a million people, near a strong university system and within 45 minutes of an international airport. The project likely will go down as one of the biggest economic developments announced in a decade, said Greg Burkart, a Detroit-based consultant with Duff & Phelps Corp. "This is the same economic impact as a medium-size city," he said.

Over the past two decades, Amazon has grown from an online bookseller founded in Mr. Bezos's garage to a sprawling tech

Valued Employees

Revenue per employee at select technology companies compared with major retailers for latest full fiscal year.



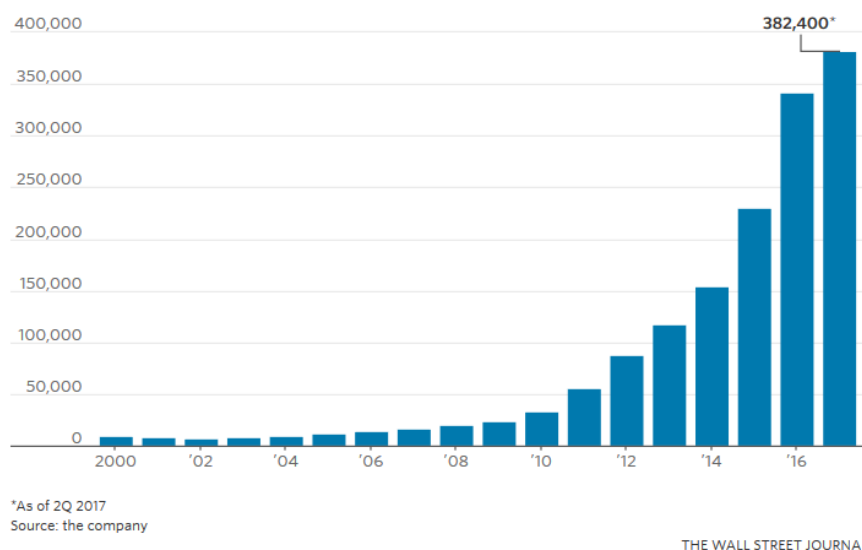
*Includes part-time employees; Target includes seasonal employees

Source: the companies

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Hired Hands

Amazon's workforce is growing rapidly as it builds out new warehouses.



giant. It now has a Hollywood studio, a booming device business including its artificial intelligence assistant Alexa, and a profit-driving cloud-computing service. The number of employees at Amazon's Seattle headquarters has grown rapidly over the past decade from a few thousand to more than 40,000. But Amazon recently has faced both space and hiring constraints as a result, according to people familiar with the company's thinking.

Amazon has struggled to attract and retain enough engineers to keep pace with the company's growth, the people said. It competes for talent in the region with Microsoft Corp. and is about 800

miles north of the heart of the tech world, California's Silicon Valley. It is unlikely Amazon would choose a location in an area like Silicon Valley, where it would face intense competition for engineers from companies including Alphabet Inc. and Apple Inc. "There's only so much talent," says Tom Gimbel, founder and CEO of national staffing and recruiting firm LaSalle Network. By entering a new market, "people will be clamoring to work for them."

Other tech giants have caused recent frenzies over locations for facilities. Tesla Inc. CEO Elon Musk in June hinted the electric-car maker would build a new factory, while Foxconn Technology Group, formally known as Hon Hai Precision Industry Co., said in July it would be building a \$10 billion factory in Wisconsin. Amazon itself has announced at least 25 new warehouses since the beginning of the year, most recently in New York, and in August held a job fair to hire 50,000 people. Executives have told Wall Street the company is in a period of heavier investment, expanding abroad and building out video content for its Prime service.

That expansion has come at a cost, dinging profit in recent quarters and leading the company to warn it could post its first loss in more than two years in the third quarter. Acquiring Whole Foods and building a second headquarters will only add to that. Few companies choose to form dual headquarters outside of mergers, said Erik Gordon, an assistant professor at the University of Michigan's Ross School of Business. Splitting departments can hinder collaboration. "It's a complicated thing to do, which is why it's rare," he said. Once the second headquarters is built, Amazon's senior leaders will get to choose whether they locate their teams in the Seattle headquarters, the new one or both, the company said.

Amazon is used to divvying up work between employees across multiple time zones and buildings. Mr. Bezos tries to maintain a startup culture despite the company's size. Teams are typically kept small—if a group can't be fed with two pizzas, it is too big—and there is a strict process for developing new ideas and inventing devices, which includes writing six-page papers for explanation. Amazon has 33 buildings at its headquarters in Seattle, comprising 8.1 million square feet. Across the U.S., it employs more than 200,000 people, with about 130,000 in the company's warehouses. It just added an additional roughly 87,000, primarily in the U.S., with its acquisition of Austin, Texas-based Whole Foods.

The company already has regional offices sprinkled throughout the U.S., including in Austin, Northern Virginia, Detroit and Los Angeles. The new headquarters will be in addition to those locations. Amazon said it plans to build the project in phases, with \$5 billion in capital investment over the first 15 to 17 years. The first phase of

building, for between 500,000 square feet and 1 million square feet of office space ready in 2019, will result in an estimated \$300 million to \$600 million capital investment, it said. The company will consider existing buildings and greenfield sites of 100 acres.

Communities are eager to land a flagship corporate tenant because of the positive impact on the service sector. Amazon's existing Seattle headquarters, which it moved downtown in 2010, has since brought an additional \$38 billion in investments to the local economy through 2016, the company said. "The presence of a new Amazon headquarters will almost certainly create significant economic benefit to the jurisdiction," said Stockton Williams, executive vice president of content at the Urban Land Institute. "Incentives are always part of the equation."

—Jacquie McNish and Shibani Mahtani contributed to this article.

Corrections & Amplifications

There are about 50 metropolitan areas in the U.S. with populations of more than one million people. An earlier version of this article incorrectly stated there are 80. Also, McCallum Sweeney Consulting advised Boeing on its \$3.2 billion tax-incentive package with the state of Washington in 2003 to manufacture a new jet there. It was incorrectly stated the firm worked on a 2013 deal for Boeing worth \$8.7 billion. (Sept. 20, 2017)

Cities That Meet Amazon's Criteria

Country	Metropolitan area	Metropolitan Population	Largest airport	Passengers at largest airport
MX	Mexico City	21,497,029	MEX	41,710,254
US	New York-Newark-Jersey City, NY-NJ-PA	20,153,634	JFK	29,224,554
US	Los Angeles-Long Beach-Anaheim, CA	13,310,447	LAX	39,635,691
US	Chicago-Naperville-Elgin, IL-IN-WI	9,512,999	ORD	37,499,201
US	Dallas-Fort Worth-Arlington, TX	7,233,323	DFW	31,274,875
US	Houston-The Woodlands-Sugar Land, TX	6,772,470	IAH	20,027,073
CA	Toronto	6,242,300	YYZ	19,775,712
US	Washington-Arlington-Alexandria, DC-VA-MD-WV	6,131,977	DCA	11,372,460
US	Philadelphia-Camden-Wilmington, PA-NJ-DE-MD	6,070,500	PHL	14,521,408
US	Miami-Fort Lauderdale-West Palm Beach, FL	6,066,387	MIA	20,796,994
US	Atlanta-Sandy Springs-Roswell, GA	5,789,700	ATL	50,476,272
MX	Guadalajara	4,853,425	GDL	
US	Boston-Cambridge-Newton, MA-NH	4,794,447	BOS	17,749,202
US	San Francisco-Oakland-Hayward, CA	4,679,166	SFO	25,706,994
US	Phoenix-Mesa-Scottsdale, AZ	4,661,537	PHX	20,896,229
MX	Monterrey	4,540,429	MTY	
US	Riverside-San Bernardino-Ontario, CA	4,527,837	ONT	2,104,625
US	Detroit-Warren-Dearborn, MI	4,297,617	DTW	16,826,287
CA	Montréal	4,093,800	YUL	7,367,059
US	Minneapolis-St. Paul-Bloomington, MN-WI	3,551,036	MSP	18,109,982
US	San Diego-Carlsbad, CA	3,317,749	SAN	10,340,164
US	Tampa-St. Petersburg-Clearwater, FL	3,032,171	TPA	9,194,576
MX	Puebla-Tlaxcala	2,986,825	PBC	
US	Denver-Aurora-Lakewood, CO	2,853,077	DEN	28,246,269
US	St. Louis, MO-IL	2,807,002	STL	6,782,911
US	Baltimore-Columbia-Towson, MD	2,798,886	BWI	12,340,183
CA	Vancouver	2,548,700	YVR	9,875,532
US	Charlotte-Concord-Gastonia, NC-SC	2,474,314	CLT	21,455,996

US	Orlando-Kissimmee-Sanford, FL	2,441,257	MCO	20,283,479
US	San Antonio-New Braunfels, TX	2,429,609	SAT	4,177,076
US	Portland-Vancouver-Hillsboro, OR-WA	2,424,955	PDX	9,071,154
US	Pittsburgh, PA	2,342,299	PIT	3,953,440
US	Sacramento--Roseville--Arden-Arcade, CA	2,296,418	SMF	4,969,337
MX	Toluca	2,225,286	TLC	
US	Cincinnati, OH-KY-IN	2,165,139	CVG	3,261,870
PR	San Juan-Carolina-Caguas, PR	2,157,729	SIU	4,327,833
US	Las Vegas-Henderson-Paradise, NV	2,155,664	LAS	22,665,289
US	Kansas City, MO-KS	2,104,509	MCI	5,370,028
US	Austin-Round Rock, TX	2,056,405	AUS	6,090,078
US	Cleveland-Elyria, OH	2,055,612	CLE	4,073,442
US	Columbus, OH	2,041,520	CMH	3,534,812
US	Indianapolis-Carmel-Anderson, IN	2,004,230	IND	4,181,608
US	San Jose-Sunnyvale-Santa Clara, CA	1,978,816	SFO	25,706,994
MX	Tijuana	1,967,762	TIJ	
US	Nashville-Davidson--Murfreesboro--Franklin, TN	1,865,298	BNA	6,327,048
MX	León	1,729,455	BJX	
US	Virginia Beach-Norfolk-Newport News, VA-NC	1,726,907	ORF	1,593,281
US	Providence-Warwick, RI-MA	1,614,750	PVD	1,798,411
US	Milwaukee-Waukesha-West Allis, WI	1,572,482	MKE	3,327,498
US	Jacksonville, FL	1,478,212	JAX	2,708,369
CA	Calgary	1,469,300	YYC	7,267,827
MX	Juárez	1,435,761	ELP	
CA	Edmonton	1,392,600	EIA	3,730,217
US	Oklahoma City, OK	1,373,211	OKC	1,788,239
CA	Ottawa-Gatineau	1,351,100	YOW	2,223,778
US	Memphis, TN-MS-AR	1,342,842	MEM	2,007,572
MX	Torreón	1,327,769	TRC	
US	Raleigh, NC	1,302,946	RDU	5,378,637
US	Louisville/Jefferson County, KY-IN	1,283,430	SDF	1,620,027
US	Richmond, VA	1,281,708	RIC	1,775,573
US	New Orleans-Metairie, LA	1,268,883	MSY	5,550,855
MX	Querétaro	1,232,252	QRO	
US	Hartford-West Hartford-East Hartford, CT	1,206,836	BDL	2,976,596
US	Salt Lake City, UT	1,186,187	SLC	11,141,970
US	Birmingham-Hoover, AL	1,147,417	BHM	1,304,467
MX	San Luis Potosí	1,138,076	SLP	
US	Buffalo-Cheektowaga-Niagara Falls, NY	1,132,804	BUF	2,308,344
US	Rochester, NY	1,078,879	ROC	1,185,665
MX	Mérida	1,078,370	MID	
US	Grand Rapids-Wyoming, MI	1,047,099	GRR	1,334,633
MX	Mexicali	1,039,260	MXL	
MX	Aguascalientes	1,030,302	AGU	
US	Tucson, AZ	1,016,206	TUS	1,594,594
MX	Cuernavaca	1,009,450	CVJ	-