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# Amazon is Chicago's deal to lose



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Photo by Bloomberg

There are few cities that can fulfill Amazon's wish list for a massive outpost to rival its Seattle headquarters.

Chicago should be near the top of a shortlist of places that include New York, Washington, Toronto, Dallas/Fort Worth, Atlanta, Los Angeles, Boston and Austin, Texas. But the competition will be cutthroat, unlike anything in at least a generation.

There have been headquarters bake-offs before, like **Boeing** and **GE**. But those were big, established companies in traditional industries. Amazon is a young, fast-growing monster that's all about the future of the economy, for good or for ill. And landing it would brand the winner as a tech city of the future, a crown worn by precious few and coveted by almost everyone

else.

"It's one of the largest and fastest-growing companies in the world," says Mark Sweeney of McCallum Sweeney Consulting in Greenville, S.C., which advises companies on relocations but isn't involved in this search. "Everybody knows who and what they are. We're talking thousands and thousands of

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But that's the catch: Amazon says it's looking for a metro area that can support up to 50,000 jobs, most of them tech-oriented. That eliminates all but a handful of cities. Although the San Francisco area has the largest concentration of tech workers, at more than 300,000, it's too close to Seattle to give the company the benefits of geographic diversity. Besides, the labor market there is even more expensive and more cutthroat than the one in its hometown.

Outside San Francisco, only Washington, New York, Toronto, Dallas/Fort Worth and Chicago have bigger pools of tech talent than Seattle, according to **research by real estate firm CBRE**. Only four metro areas produce more than 10,000 tech graduates a year: New York, Washington, L.A. and Chicago.

Given that Amazon CEO Jeff Bezos has become very familiar with the nation's capital since he bought the Washington Post, I wouldn't count out Washington. It has the biggest collection of talent outside the Bay Area and is a primary connection point for internet traffic.

**CHICAGO ADVANTAGES**

Yet Chicago remains a strong candidate. It has as many tech workers as Seattle, although that's lost on most outsiders because Chicago's economy is dispersed across so many industries. One potential drawback, however, is a relatively small pool of software talent, which is Amazon's primary focus. Chicago has about 44,000 software developers and programmers, about equal to Boston, Atlanta and Toronto. New York has 143,000, while Washington is about equal to Seattle's software base of 72,000. The Bay Area has about 143,000.

Chicago has **amazing connectivity**, both digital and physical.





Editors' Picks



Chicago won Boeing's headquarters in 2007.

"Chicago has air connections to the entire country and much of the world. This was hugely important to Boeing," O'Connor says. "Rather than have to waste two days to fly to New York or D.C., executives could wake up in their own beds, fly and do their business and go back to sleep in their own beds that same night," he says.

"The three high-speed capitals in the U.S. are Chicago, New York and D.C. That's an asset that matters critically to them."

Flying to Seattle from Chicago is easier than making the trip from D.C. or New York, which Boeing executives knew all too well.

**MORE STRENGTHS**

O'Connor sees two other pluses for the nation's third-largest city: talent and our thriving urban setting. In its request for proposal—you can read it at the bottom of this story—Amazon said it wants to be near a metropolitan area with more than 1 million people; be able to attract top technical talent; be within 45 minutes of an international airport; have direct access to mass transit, and the ability to expand the new headquarters to as much as 8 million square feet in the next decade.

"There's a big pool of young tech talent here," O'Connor says.

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However, the city isn't nearly the hotbed for millennials that Amazon's home base or other markets such as Washington or New York are. As with Dallas and Atlanta, Chicago's share of 20- to 29-year-olds declined between 2009 and 2014, the latest period studied by CBRE.

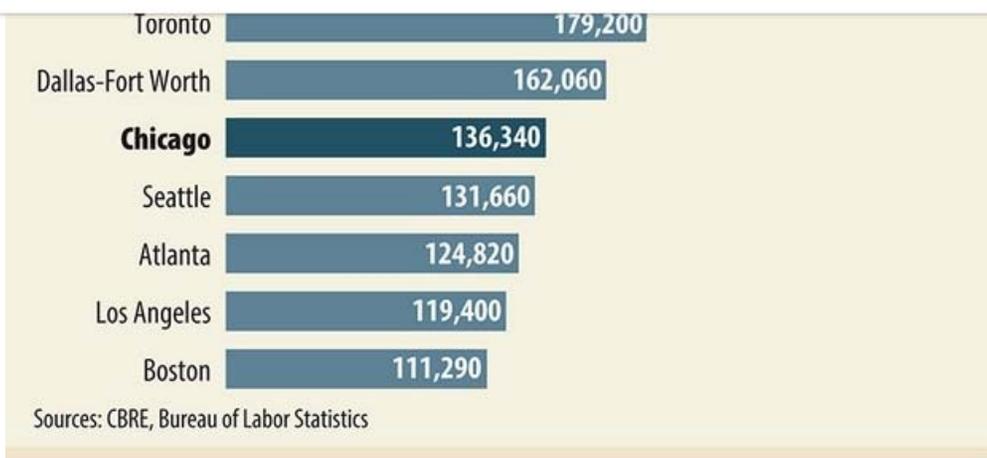
Austin, meanwhile, saw 7.5 percent growth during the same period. The Texas city, already home to a large software development office for Amazon, became even more closely tied to the company when it bought Whole Foods, which is based there.

No matter, O'Connor says: "More important is: There is a big pool of midlevel and senior-level executive talent (in Chicago). There are precious few places that have big pools of highly educated people that already have global business experience."

**'A GOOD HEADQUARTERS CITY'**

Sweeney has worked with three clients that have moved headquarters to Chicago in recent years, including SunCoke Energy and Coeur d'Alene Mines. "Chicago is a good headquarters city," he says.

One reason for that, O'Connor adds: "Only two cities have real downtown business centers in the U.S.: New York and Chicago."





Chicago is among the cheapest places to operate a tech company. Among the contenders listed above, only Toronto, North America's fourth-largest city, is cheaper when it comes to office and wage costs. It's tied with Atlanta. The pursuit of Amazon is a rare instance in which Chicago's not likely to be battling it out with a Sun Belt city that's much cheaper. Seattle is an expensive place to live and work, and tech talent isn't commodity labor, no matter where you find it.

Amazon also would find some familiar faces here. In addition Boeing, Amazon's hometown law firm, Perkins Coie, has a major outpost in Chicago.

### **BIG DRAWBACKS**

Chicago has some major negatives, chiefly its **soaring crime rate** and the **declining fiscal health** of both the city and the state. The political dysfunction doesn't help, either, especially when there's a hotly contested governor's race looming on the horizon. The price tag of incentives for the deal is expected to top the \$3 billion that Wisconsin needed to win a Foxconn assembly plant. That's a heavy lift for states with much stronger balance sheets than Illinois.

"It's going to take a lot of political will, as well as financial capability," Sweeney says. "Illinois hasn't been a shining light of fiscal health in recent years. That doesn't mean they can't make it happen. . . .No place is perfect. Every place is going to have their challenges to overcome. If competition gets tight, something like that could become important."

The race is on. It's Chicago's to lose.

[Amazon RFP](#) by [AnnRWeiler](#) on Scribd