

## Amazon is searching for new headquarters, and L.A. wants to be in the running

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**A**mazon.com is shopping for a city to house a second headquarters — and mayors across the country already are lining up to bid on the crown-jewel prize.

The online retailing giant's new campus would deliver an economic boost well beyond the \$5 billion in construction costs and 50,000 jobs anticipated at Amazon's "HQ2." Not only would Amazon's direct spending at its future second home be the stuff of city planner dreams, but there's also the indirect benefit created by spawning more business for suppliers, nearby vendors and others.

It would be particularly rewarding for Los Angeles, which has suffered an exodus of corporate headquarters in the last two decades because of the area's relatively high business taxes and housing costs.

"I welcome the opportunity to compete for this remarkable investment, and the tens of thousands of good-paying jobs it is sure to bring with it," Los Angeles Mayor Eric Garcetti said in a statement Thursday.



Amazon's corporate office building is seen in Sunnyvale. (Lisa Werner / Moment Editorial/Getty Images)

"L.A. is the perfect place for a company like Amazon to find talented workers, and an environment that nurtures growth and innovation," Garcetti said.

Amazon launched the search for its second North American base because its current headquarters, which covers 33 buildings in greater Seattle, is brimming with 40,000 workers following the company's remarkable growth that lifted its sales to \$136 billion last year.

Many mayors wasted no time making their pitches, signaling that a fierce battle among many of the nation's largest metropolitan areas may be looming.

"We're all abuzz this morning about Amazon's announcement," said St. Louis Mayor Lyda Krewson, according to the St. Louis Post-Dispatch. She said city officials were "putting together a team right now to make a very competitive" proposal.

Pittsburgh Mayor Bill Peduto simply tweeted, “On it,” with a link to Amazon’s proposal-submission page.

Chicago Mayor Rahm Emanuel has spoken to Bezos several times about bringing HQ2 to the Second City, according to the Chicago Sun-Times.

“Chicago’s unmatched workforce, world-class universities and unparalleled access to destinations throughout the world make it the perfect headquarters location for companies large and small. That’s also why Chicago has led the nation in corporate relocations for the last four years,” mayoral spokesman Grant Klinzman said in an email to the newspaper.

And Nashville Mayor Megan Barry told the Tennessean that she was “confident that our socially progressive, pro-business climate, talented workforce, and overall great quality of life offers the type of environment that they are looking for.”

Amazon expects the winning city to grant lucrative perks to the e-commerce leader. In its “request for proposal” to prospective bidders, the company asks them to identify state and local incentives available, including tax credits and utility incentives.

“The initial cost [of the project] and ongoing cost of doing business are critical decision drivers” in which area would be selected, Amazon said.

Regardless, “if I’m the mayor and the governor, I’m all over this opportunity like a bear on honey,” said Lloyd Greif, head of the Los Angeles investment bank Greif & Co. and a former chair of the Los Angeles County Economic Development Corp.

“This is a huge opportunity for the city” of Los Angeles, Greif said, in large part because of the economic benefits Amazon would generate in the region. “In terms of the importance to the city, I think the Olympics [in 2028] would pale against this.”

But Greif said the city’s bid “likely would require a partnership between Eric Garcetti, [Gov.] Jerry Brown, the LAEDC and others” to create a package of incentives, available land and other features that would appeal to Amazon.

“This would be a regional and state effort ... a combined proposal of state and local incentives and cooperation,” Greif said.

“We expect HQ2 to be a full equal to our Seattle headquarters,” Amazon Chief Executive Jeff Bezos said in a statement Thursday. “Amazon HQ2 will bring billions of dollars in up-front and ongoing investments, and tens of thousands of high-paying jobs.”

Amazon said it would give priority to areas with more than 1 million people that are within 45 minutes of an international airport.

In addition, “a highly educated labor pool is critical and a strong university system is required” in the area, Amazon said.

“We want to invest in a community where our employees will enjoy living, recreational opportunities, educational opportunities, and an overall high quality of life,” the company added.

Amazon’s sales have doubled in the last four years and it now employs

about 380,000 people, including thousands at nine fulfillment centers in California, including five in the Inland Empire. Earlier this year it announced plans to build two new centers, in Redlands and in Eastvale, near Riverside.

The company also has a film and television production arm, Amazon Studios, based in Santa Monica.

The TV division of the studio shoots many of its shows in the Los Angeles region, including “Transparent,” “Bosch” and “The Last Tycoon.”

Amazon Studios has become a major Hollywood player in just a few years. The studio produced last year’s Academy Award-winning “Manchester by the Sea” and has been successful in luring prestige talent, including Woody Allen, Matthew Weiner and Richard Linklater to create original movies and TV series.

Los Angeles and Orange counties might appear to be viable candidates: They have a large available workforce, nearby airports, nearby universities and access to the West Coast ports, which are among the busiest in the nation.

“The biggest advantage L.A. has is the concentration of talent,” said Kevin Klown, executive director of the Milken Institute’s California Center and a managing economist at the Institute. “L.A. is a center for standard media and entertainment but also for newer media and online content.”

Still, L.A.’s high housing costs might work against it.

Rent and home prices have soared in recent years in the region, putting a

strain on family budgets and the ability to take out a mortgage, although Amazon noted that employment at its second headquarters would be “high-paying jobs.”

“Too expensive — it doesn’t solve anything,” said Michael Pachter, an analyst at Wedbush Securities in Los Angeles. “I personally think this is more about housing than anything else. So, Riverside makes more sense than L.A. Or Bakersfield.”

But Chris Thornberg, founding partner of Beacon Economics, said L.A.’s high housing costs are unlikely to deter Amazon because many of its employees are paid well and the company already has experience in Seattle, also one of the country’s most expensive cities.

“They pay a lot of money,” Thornberg said. “They are the reasons home prices go up. They are the cause, not the effect.”

Thornberg said there is a simpler reason Los Angeles is unlikely to land the Seattle firm — it already has a headquarters on the West Coast.

“Bezos is looking to take over the world,” he said. “My guess is he is going to aim for the East Coast.”

Gov. Jerry Brown’s Office of Business and Economic Development, known as GO-Biz, is aware of the Amazon headquarters proposal, Deputy Director Sid Voorakkara said.

“It is fair to say we work closely with the city on all business opportunities from attraction, expansion and retention,” he said.

Amazon did not specify why it needs a second headquarters, and the company declined to elaborate. But

the move might simply reflect Amazon’s relentless growth, both internally and by acquisitions.

Late last month, Amazon completed its \$13.7-billion purchase of Whole Foods Market Inc., a chain of 470 grocery stores that focus on organic and natural foods.

The scope of Amazon’s search to house 50,000 workers is considered staggering in the commercial real estate industry. Amazon has more than 8 million square feet in multiple buildings in Seattle, according to the Seattle Times, and is still growing fast.

It would presumably require multiple buildings in Southern California as well. Downtown L.A.’s U.S. Bank Tower, for example, one of the tallest office buildings in the West, contains 1.4 million square feet and is already about 80% leased.

“It’s tough to get your head around the magnitude of the scale of this opportunity,” said real estate broker Nico Vilgiate of Colliers International.

Downtown Los Angeles has some of the largest blocks of space available in the region, he said, such as Broadway Trade Center. The former department store on Broadway is under renovation and will have 1 million square feet of offices when completed.

Even with its recent economic renaissance, however, downtown has a dearth of big tech-oriented office tenants. Well-heeled technology and entertainment companies more typically hunt for space in Santa Monica, Hollywood, Burbank, El Segundo, Playa Vista and Culver City.

Brokers say Amazon has already agreed to rent at least a large portion of the 14-acre Culver Studios in Culver City, where famous movies including “Gone With the Wind” and “Citizen Kane” were filmed.

Warner Center and Torrance are also considered viable for big firms. In Torrance, the longtime North American headquarters of Japanese car manufacturer Toyota is for sale as the company consolidates U.S. operations in Texas. The 110-acre Toyota campus has about 2 million square feet of office and industrial space and room for further development.

The scramble to get Amazon’s real estate business will be intense. Three of the largest national brokerages, CBRE Group Inc., JLL and Cushman & Wakefield have instructed brokers not to speculate about what Amazon might do. They presumably do not want to offend the tech giant.