

Amazon releases list of finalists for 'HQ2'

L.A. is among 20 possible sites for new headquarters

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Amazon.com Inc. said Thursday that Los Angeles and 19 other places are the finalists for the \$5-billion second headquarters the giant online retailer plans to build.

The largest concentration of contenders is in the Northeast; Los Angeles is the only finalist west of the Rocky Mountains.

Amazon said it narrowed the list from 238 proposals across the United States, Canada and Mexico. It was somewhat surprising that Los Angeles made the final 20 because the company's headquarters is in Seattle and there was speculation it might avoid setting up a second base on the West Coast.

The list consists of Atlanta; Austin, Texas; Boston; Chicago; Dallas; Denver; Indianapolis; Los Angeles; Miami; New York; Philadelphia; Toronto; Washington; Pittsburgh; Raleigh, N.C.; Nash-



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AMAZON'S Seattle headquarters, which includes a dog park, has 33 buildings and 40,000 employees.

ville; Newark, N.J.; and Columbus, Ohio. It also listed northern Virginia and Maryland's Montgomery County — both near

Washington, D.C. — as potential sites.

Amazon said that in the coming months, it would work with each

finalist location "to dive deeper into their proposals, request additional information and evaluate the feasibility of a future partnership" before making a final decision this year.

Amazon did not elaborate on why each of the 20 places made its list.

The company announced its plan for a second headquarters in September. It said the new facility would be home to "as many as 50,000 high-paying jobs." The announcement immediately set off a race among cities that hoped to attract Amazon and the enormous economic benefits the facility would bring.

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, would welcome Amazon's presence.

"We've got rockets and rock stars, more engineers and more sunshine," Mayor Eric Garcetti said in a statement. "The Olympics, two NFL teams, and George Lucas all know L.A. is the future — so should Amazon. And we love that Jeff Bezos already has a home here."

Bezos, Amazon's chief executive, has homes in several cities, but two of the billionaire's residential properties are in Beverly Hills: a \$12.9-million home he bought last August and one he bought for almost \$30 million in 2007.

The city of Los Angeles is offering three sites to Amazon — two downtown and one at Warner Center in Woodland Hills, Garcetti told KNX-AM (1070) on Thursday. The ones downtown, he said, are ready to go.

"Decision makers, they don't want to hear they might be able to build and run into the politics of something that can't get built," Garcetti said. "They want to know they can move people in right away. L.A. can do that."

The bid also offers six other sites elsewhere in Los Angeles County, said Bill Allen, chief executive of the Los Angeles County Economic Development Corp., a nonprofit aimed at promoting business expansion in the region. He would not specify those sites' locations. In Pomona, Cal Poly Pomona and the Fairplex have offered up land.

Amazon's new campus would deliver an economic boost well beyond the \$5 billion in construction costs and added jobs the company said would stem from its "HQ2." In addition to Amazon's direct spending, there also would be the indirect benefit created by spawning more business for suppliers, nearby vendors and others.

When Amazon issued its request for a proposal from bidders, the company said it would give priority to areas with more than 1 million people that are within 45 minutes of an international airport.

Amazon also said it was looking for an area that had a "highly educated labor pool" and a "strong university system."

The e-commerce titan also made it clear that it was looking for incentives, such as tax breaks. In its proposal request to bidders, Amazon said "the initial cost and ongoing cost of doing business are critical decision drivers" in making its selection.

One area that has disclosed its incentives is New Jersey and its city of Newark, which made the cut. Combined, the state and city are preparing to offer as much as \$7 billion in tax breaks and other incentives.

Los Angeles also is "going to have to play ball in that regard," said Lloyd Greif, head of the investment bank Greif & Co. and former chairman of the Los Angeles County Economic Development Corp.

"It's worth reaching for the brass ring on this one," Greif said. "Amazon is not here today and gone tomorrow. Amazon is only guaranteed to grow larger over time."

Los Angeles' bid includes "substantial" financial incentives, said Allen, the LAEDC chief.

Garcetti told KNX that no city tax breaks are involved. "We're sitting on our laurels and on what the state offers any company today," he said.

Amazon launched the search for its second headquarters because its



(Sources: Amazon, Mapzen, OpenStreetMap)

Seattle headquarters, spread across 33 buildings, is brimming with 40,000 workers. The company's remarkable growth lifted its sales to \$136 billion in 2016, and it has since expanded further, acquiring Whole Foods Market Inc. last year. "We expect HQ2 to be a full equal to our Seattle headquarters," Bezos said in September.

Washington and its suburbs probably made the final list for several reasons, including that it's "the political center of the United States," and "for a company of Amazon's size, policy is obviously very important," said Adam Ozimek, senior economist at Moody's Analytics.

"Site-selection experts also tell us that companies tend to locate where the CEO lives, and we know Bezos has a home in Washington and he owns the Washington Post," Ozimek said.

California's Silicon Valley, meanwhile, was shut out of consideration. Despite the region's

huge technology industry, "their costs are so extremely high" in terms of land and the cost of living, Ozimek said. "These are really, really expensive places, and that really hurt them."

Many other places that did make the final list have relatively affordable land and business costs for Amazon, even if they're crowded cities, and that's why "the economic incentives are important but they might not necessarily carry the day," said David Smith, an associate professor of economics at Pepperdine University's Graziadio School of Business and Management.

Los Angeles also probably made the cut because "there are a lot of good colleges in the area, and they graduate a large number of students with degrees in engineering, computers and math," Ozimek said.

Amazon also has nine fulfillment centers in California and is building two more in Redlands and

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

Moody's, using a variety of criteria set forth by Amazon, ranks Austin and Atlanta as the top contenders for Amazon's second headquarters. But after noting that Amazon's list Thursday showed a preference for the northeast corridor of the nation, Moody's also said Philadelphia had a good shot.

Among the cities that did not make Amazon's list are Irvine and San Diego.

Irvine Mayor Donald Wagner congratulated the remaining contenders. "I particularly want to wish Los Angeles, one of the finalists, all the best," he said in a statement. "The entire Southern California region would benefit by the selection of Los Angeles."