



The Underdogs Bidding on Amazon HQ2

Sarah Holder - Oct 10, 2017

Why are small, long-shot cities, who on the surface don't seem to meet at least one of Amazon's threshold criteria, putting their hats in the ring?

This September, Danbury, Connecticut's mayor and Frisco, Texas's, mayor both released videos asking a charming, robotic personal assistant variations of the same question: "Alexa, where should Amazon HQ2 go?" To Danbury's Mayor, Alexa says, obediently, "Danbury, Connecticut." To Frisco's, Alexa declares "Frisco."

Other larger cities subsequently co-opted the same stunt, but Danbury and Frisco are bound by a unique sort of competitive spirit: in the quest for Amazon's second headquarters, they're long-shot bidders.

When Amazon announced its search for a city to host HQ2, it also released a detailed Request for Proposals, which included criteria such as minimum population and community fit. But many small to mid-sized cities who, on the surface, don't seem to meet at least one of these threshold criteria—like Danbury and Frisco, but also Dayton, Virginia Beach, Hartford, New Haven, and Kansas City—have announced plans to enter the competition, too. The list of long-shots includes cities whose populations fall well below the one million Amazon desires; others whose nearest airport is hours away, to say nothing of international connectivity; and others whose transit systems are years out of date.

Assuming a glass-half-empty certainty is a mistake, say some mayors, economic developers, and consultants. Ineligibility is not a foregone conclusion, even if it looks that way on paper. In fact, some small cities are joining with others to form regional bids that get them closer to Amazon's criteria.

But making a competitive offer can be a major drain on resources, particularly for smaller cities. So what's in it if they don't win it?

All publicity is good publicity

If nothing else, a bid means immediate, and sweeping, media coverage. Mayors and economic developers have launched viral video campaigns, wrangled football owners to deliver quippy catch-phrases, constructed and scattered enormous brown Amazon boxes around their cities, and begged Amazon to give them a shot, any shot—all very publicly.

“The HQ2 project has become the darling of the 24/7 business news cycle,” says John Boyd, site selection consultant at Boyd Company Inc. “It’s an opportunity for small cities to promote themselves—they can laud their advanced degree programs, transit-oriented developments...to the economic development market in a high-profile way.”

After Tucson sent Amazon a saguaro cactus, the company responded directly to the city on Twitter (saying they ultimately could not accept gifts, “even really cool ones,” and donating it to a museum). After Frisco released a “Frisco is Primed for HQ2” video that was effectively an advertisement for the city, the mayor of Frisco told CityLab he got positive feedback straight from Amazon representatives.

It’s that kind of personal connection with the company that could lead to other backchannel deals, says Boyd. “Amazon could put a fulfillment or a back-office facility [in a small city], or they could encourage their mid-size vendors to move there,” he says. Amazon is in communication with most of the major manufacturers in the United States, many of whom might build headquarters of their own—putting your city on the map could mean a spot on the short list, says Boyd.

“The exposure and attention that the video ... has gotten is positive no matter the outcome. Some other business could say, ‘look at that, look at what that city has,’” says Stephen Nocera, Danbury’s Director of Project Excellence, of Danbury’s strategy. “We’re going to fight as best we can for large companies, but also small and medium sized companies.”

Building bid muscles

Just like Olympic bids, where cities have extraordinarily low odds of hosting the internationally watched games, site selection consultants and economists say that the process of bidding for something like HQ2 acts as an intensive personal development exercise. Crafting the proposals gives cities a chance to reflect, to identify economic strengths and weaknesses, and to develop a strategy to win the next one even if they end up losing the biggest one.

“I assume that a lot of places in the back of their minds they’re thinking that, maybe the drill of getting dressed up for the party and trying to get in will be a positive, consensus building thing,” says Greg Leroy, executive director and founder of Good Jobs First.

That dress can come with a hefty price tag, though. Often, cities must hire expensive outside consultants (the state of Virginia is paying \$1 million to hire a McKinsey & Co. consultant, and

asking for financial contributions from smaller regions) and allocate economic development resources away from smaller (but maybe more viable) projects.

That's not to mention the potentially extreme tax incentives cities are offering up as barter. Often, the impetus for the breaks comes at the state level, but their impacts could be disastrous, especially on the smallest of cities. The mayor of Dayton, Nan Whaley, says she doesn't plan on capitulating to that section of the RFP.

But she does see other benefits for Dayton. She hopes that the process might compel transportation improvements within and between the two cities. "Right now with transit, because of the way the state funds it, each community has their own transit system. This opens the door to say 'does that make the most sense for Southwest Ohio?'" she says. "If you live in Dayton and you don't have a car, and you have a job in Cincinnati, you'd have to go through three transit systems to get to Cincinnati. And that's not doable." Making their cities more hospitable for Amazon might also translate into making them more hospitable, period.

What's in a number?

Many cities who don't strictly meet Amazon's criteria don't necessarily consider *themselves* long-shots. First, there are definitional questions around population criteria. Technically, the RFP's "one million" guideline refers to the population in the metro area, not the city proper. That means they're looking at the labor pool within about 70 miles of the site, says Boyd.

Nocera points out that while Danbury only has a population of around 85,000 (a number that would almost double if Amazon were to bring in 50,000 outside employees), its metro area falls "just under a million." That's true for other long-shots cities bidding, many of which are exurbs of larger metropolitan centers—like the rest of the CT cities; Dayton; and Frisco.

Other cities are increasing their population capacity by teaming up with neighboring jurisdictions.

"We're not quite big enough for Amazon [alone]," Dayton's Mayor Whaley admits, so partnerships with Ohio peers, like Cincinnati, are crucial to Dayton's success. In 2014, the Department of Commerce awarded Dayton and Cincinnati joint Investing in Manufacturing Communities Partnership designation as the Southwestern Ohio Aerospace Region. The two cities were already connected geographically by the Great Miami River and then by highway I-75, but the IMCP facilitated the beginning of an economic relationship that Whaley says has laid the bedrock for a collaborative bid.

"The state [of CT] is trying to gauge the interest of all cities," says Nocera. "We've told them, listen, that's wonderful and we are going to work with them—but also Danbury will be submitting no matter what." When asked if there's a friendly competition between other Connecticut bidders like Hartford and New Haven, Nocera laughs. "The sense of all communities in Connecticut is, we'd love it in our city but we really want it in Connecticut," he says. "But I personally believe—no bias here—Danbury would make the best home." Frisco, too, is "looking

to pitch the [Dallas Fort Worth] region as a whole,” but mayor Cheney says they’re “uniquely positioned” to get the bid.

“It’s like the lottery”

Cities don’t necessarily have illusions about their chance of winning. “I think there’s this feeling that we have to be in it to win it,” says Andy Levine, founder of Development Counsellors International. “It’s like the lottery—you have to be willing to buy a ticket.” Amazon has set up what amounts to the Charlie and the Chocolate Factory of economic development projects: that golden ticket is out there for anyone to find.

“For a lot of economic developers, they may have a fairly realistic idea of their low probability,” says Mark Sweeney, senior principal with McCallum Sweeney Consulting. “But there might be pressure from the organizational leadership to at least put in a bid.”

The pressure, or at least the nudging, has come from both state and city officials.

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Virginia’s state-sponsored McKinsey consultant has been tasked with developing a “unified effort” around the bid, and drafting proposals for the Northern Virginia, Richmond, and Hampton Roads regions. Virginia Beach, with a population of about 452,000, lies in Hampton Roads.

Leroy’s advice to mayors in the smallest cities: proceed with caution. “Talk to organizational development theorists,” he says. “Does going through the process of making a bid help you sharpen your pencils, do you come out the other end better focused on what it would take to attract a prominent, high tech company to your city?” Or is it simply a suck on energy, money, and hope?

For Amazon, the more bids they get, the better. “On the company side it’s like an earned media strategy,” says Leroy. “[Amazon] can stage a rare public auction and get an insane amount of media attention.” The local officials, meanwhile, “get jerked around and used as straw men.”

“If you’re not a Boston or Washington or Austin, etc, that clearly has executive talent pool, I say to them, look,” adds Leroy. “Ask yourself candidly: can we supply enough executive brain cells for company’s needs? If not, it’s a waste of time.”

But in order to have a shot at all, cities might just have to play Amazon’s game. “Does Amazon have an idea of what the final list might look like now? They probably do,” says site consultant Levine. “Could they be surprised by someone who comes in with a unique opportunity and offers them something no one else is offering? Yeah, I think there could be someone on the short list that could be a surprise to anyone.”

Levine predicts that 150 to 200 proposals will be submitted by October 19; a number Amazon will whittle down to six or seven finalists—and then there will be one.

Alastair Boone contributed reporting.