



# SILICON VALLEY SPREADS ITS WINGS:

The ease of attracting talented employees and infrastructure and transportation concerns are among the leading factors that influenced location selection for some of the major upcoming expansions planned by tech giants in the United States.

# MAJOR CAMPUSES PLANNED FOR MULTIPLE CITIES

ANIRBAN BASU AND JOSEPH NATARELLI

**O**ne story dominated economic development in the United States last year: Amazon's decision regarding the location(s) of its second headquarters. On September 7, 2017, the e-commerce giant announced that it would open its second headquarters and proceeded to solicit bids from more than 200 cities, all striving to attract 50,000 headquarters jobs and \$5 billion in investment.<sup>1</sup> Amazon established a response deadline of October 19, 2017, which provided applying cities only a few weeks to put together massive amounts of information regarding incentives, transportation infrastructure, workforce, and other critical elements. Among other things, it was a very good time for consultants.

In January 2018, Amazon narrowed its search to 20 locations from amongst the

238 applicants. The relatively eclectic finalists were Atlanta, GA; Austin, TX; Boston, MA; Chicago, IL; Columbus, OH; Dallas, TX; Denver, CO; Indianapolis, IN; Los Angeles, CA; Miami, FL; Montgomery County, MD; Nashville, TN; Newark, NJ; New York, NY; Northern Virginia; Philadelphia, PA; Pittsburgh, PA; Raleigh, NC; Toronto, Canada; and Washington, DC.<sup>2</sup>

Choosing a city like Columbus or Indianapolis would have produced a "fascinating experiment in urban development."<sup>3</sup> If they had attracted Amazon's HQ2, would these cities have emerged as tech giants like other communities that have made the march to first-tier status such as Raleigh and Austin?

Alas, we will never know. In mid-November 2018, Amazon announced that it would split its new headquarters by securing locations in the regions of New York and Washington, DC — two regions that already rank among the world's superstar cities. The impact of being home to one-half of Amazon's second headquarters will be large, although the effects will manifest themselves over the course of many years. A Transwestern and Sage Policy Group report that focused on the impact of one-

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half of Amazon HQ2 in Arlington indicated a total of 41,000 net new jobs once multiplier effects were considered.<sup>4</sup>

As if New York had not received enough good news along the dimension of economic development, *The Wall Street Journal* reported in November 2018 that Google was nearing a deal to purchase or lease an office building in New York City that could add space for more than 12,000 additional workers. Google's deal to buy or lease a 1.3 million-square-foot office building at St. John's Terminal could nearly double the search giant's prevailing staffing in the city.

Silicon Valley's march across the United States hardly ended there. Whereas Amazon selected a highly public approach in deciding where to build its second headquarters, Apple decided to embrace a much lower key approach in selecting a location for its next campus. Shortly after Amazon announced that it would be taking its talents to New York and Washington, DC, Apple announced that it will situate a new 133-acre campus less than a mile from already-existing Apple locations in Austin, TX. The new campus will accommodate 5,000 additional employees with the ability to expand to 15,000.<sup>5</sup> The campus will support jobs in research and development, engineering, operations, finance, sales, and customer support. In a bow to what will likely become an important aspect of our shared future, workspaces will be powered with 100 percent renewable energy, as is the case with all of Apple's global facilities. Fifty acres of the new campus will be set aside as preserved open space.<sup>6</sup> Apple also announced plans to expand its presence in Seattle, San Diego, Culver City, Pittsburgh, New York, and Boulder over the next three years.

At the heart of recent locational decisions made by Apple, Amazon, and Google has been a search for top talent. Amazon and other major companies could likely attract applicants anywhere, but certain workers insist on being in superstar cities, and the tech giants of the world will settle for nothing less. The result is that superstar companies are attracted to superstar cities that appeal to superstar employees, providing these communities with a commanding advantage in an economy based upon research, development, and innovation.

The recent tech company development frenzy was preceded by an announcement made by Facebook that has since largely been forgotten. A 2017 article published on Recode, a technology news website, reported that the company intends to expand behind its existing campus in Menlo Park, CA, in the form of its proposed Willow Campus.<sup>7</sup> The development will encompass more than office space, offering 1,500 housing units, a grocery store, and a pharmacy. Additionally, there will be more than 125,000 square feet of retail space along with the 1.75 million square feet of office space.<sup>8</sup>

While attracting talent represents a primary factor in locational decisions, getting people to work on a daily basis represents another. This helps explain New York's serial victories. Its mass transit systems are the most utilized in the United States.

The same concerns are reflected in Facebook's development plans. In a statement released on Facebook's official blog, the company indicated that, "The region's failure to continue to invest in our transportation infrastructure alongside growth has led to congestion and delay. Willow Campus will be an opportunity to catalyze regional transit investment by providing planned density sufficient to support new east-west connections and a future transit center."<sup>9</sup> Not to be left behind, Microsoft, which ended 2018 as the most valuable company in the United States, also has plans. The company announced in November 2017 that it would renovate up to 6.7 million square feet of existing space and build 18 new buildings on its 500-acre property in Redmond, WA. This would enable it to expand its current workforce from 47,000 to 55,000. Like many developments supported by leading U.S.-based technology companies, Microsoft's plans incorporate significant doses of social justice. In a statement released by the company, Microsoft stated, "Our new campus will be more open and less formal, divided into a series of 'team neighborhoods' while capturing more natural light and fostering the type of creativity that will lead to ongoing innovation to advance the industry and benefit our customers."<sup>10</sup> ■

## NOTES

- <sup>1</sup> Weise, E., Amazon HQ2 timeline: The winners are New York City and Arlington, Virginia, *USA Today* (Sept 12, 2018). Available at: <https://www.usatoday.com/story/tech/science/2018/09/12/timeline-amazons-search-hq-2-its-second-headquarters/1273275002/>.
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- <sup>3</sup> Superstar cities have a big advantage in attracting high-paying jobs, *The Economist* (Nov 15, 2018). Available at: <https://www.economist.com/finance-and-economics/2018/11/17/superstar-cities-have-a-big-advantage-in-attracting-high-paying-jobs>.
- <sup>4</sup> "The economic & office market impact of Amazon's HQ2 in Crystal City, VA," Transwestern and Sage Policy Group (Nov 2018).
- <sup>5</sup> Malone, D., Apple selects Austin for \$1 billion campus, *Building Design + Construction* (Dec 31, 2018). Available at: <https://www.bdcnetwork.com/apple-selects-austin-1-billion-campus>.
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- <sup>7</sup> Wagner, K., "Facebook is building a new campus that includes 1,500 apartments and a grocery store." Recode (July 7, 2017). Available at: <https://www.recode.net/2017/7/7/15935032/facebook-mark-zuckerberg-new-campus-expansion-willow-menlo-park>.
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- <sup>10</sup> Smith, B., "Investing to grow right here at home," Microsoft (Nov 28, 2017) (blog post). Available at: <https://blogs.microsoft.com/blog/2017/11/28/investing-grow-right-home/>.



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