THE BROOKINGS INSTITUTION

FALK AUDITORIUM

WHAT AMAZON HQ2 SIGNALS ABOUT THE FUTURE OF CITIES

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Panel Discussion:

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P R O C E E D I N G S

MS. LIU: On behalf of CityLab and Brookings, I want to welcome all of you here on Amazon application day. I want to thank the communications team for putting that video together.

I wanted to point out, did you all notice the music in the video? It started off really excited and bright, then it got sober -- risk, tradeoffs -- silver lining. And I actually think that represents I think the stages of emotions that all the city officials have gone through, through this application process. And I know there are people in this room who are likely -- I see city government officials here, some economic development officials here -- that many of you have probably been part of this process.

And there's no doubt that this region, the greater Washington region up to Baltimore, is certainly one of the viable contenders to be a host city for Amazon. And it is no doubt joining dozens and dozens of other cities around the country who really want to be home to a global iconic brand that promises to bring thousands of jobs and knowledge workers to its communities. And so we're seeing cities as diverse as Phoenix; Chicago; Atlanta; Toronto; even smaller markets, like Rochester, New York; Richmond; and Indy, all trying to vie for being home to this global company.

But as we observe in the video, doing so will also come with a price. And one of the things that we didn't mention in the video is there is an opportunity for Amazon to generate some net benefits. And that is by putting their self-interest aside and really thinking about how their new headquarter location can transform and lift up and up-and-coming city that exhibits some but not all of the attributes they're looking for in their application and show that digital growth can occur in the heartland.

And as many of you have known from writings by our scholars and by others, right now that's really not the case. You know, in the last couple of years, digital services jobs have essentially grown primarily in places that have already been in the concentrations of high tech growth. In fact, Mark Miro's analysis found that in the last couple years only 10 metropolitan areas in the country, the most predictable places, have captured 60 percent of high tech growth in the country. So the high tech places are getting more and more -- capturing more and more share of what are the future jobs in the economy. And so that's how Amazon can do something different, is to demonstrate through their location is to pick a place that can demonstrate that high tech growth can really lift up the middle of the country.

So I hope that today we're going to talk about some of those issues, the nature of the competition, but, more importantly, the broader implications of what the Amazon HQ2 means for the future of cities. Things like, well, what is a right way to grow jobs if it's not about chasing firm locations? How do cities invest in the fundamental assets that make them natural growth engines and natural opportunity engines in this digital age? And included in that, how do we skill up and prepare our workers, particularly low-income workers, our homegrown talent versus importing that talent into our community? How do we prepare them and have them be part of a digital economy? And then how do cities, especially midsized cities in the middle of the country, how do they position themselves for innovation and venture capital and opportunity?

So those are the issues we hope to explore today. I would say that Brookings Metro in the coming year is very interested in also exploring the larger dimensions of how broader disruption in the tech economy is really impacting the nature of jobs, the demand for skills, the impact on the form and function of cities, where those jobs are located, and how that impacts opportunity in our communities.

So for today, Brookings Metro is really pleased to co-host this event again with CityLab. Atlantic CityLab has just become in a very short period of time the go-to place for stories on the challenges and trends and innovations facing and being produced by city leaders. And they're doing so in a very compelling way.

So it is my pleasure to bring onto the stage our moderator for today's session, Kriston Capps, a staff writer at CityLab. And, of course, please make sure to join the conversation by using the hashtag #HQ2.

Kriston, it's all yours. (Applause)

MR. CAPPS: As we're getting set up I just kind of want to take the temperature of the room here. Think of your town, think of maybe your hometown or a place you really know or really love. And would you raise your hand if you'd like to see Amazon HQ2 in that place. Okay, great, thanks.

My name is Kriston Capps. I'm a staff writer at CityLab. We've been covering this process as I think you all have with real fascination. This seems to be a kind of unprecedented application process, a job application really that the entire nation is currently engaged with.

I'll go ahead and introduce my co-panelists who are going to say a little bit about what they each do. To my left is Elizabeth Lindsey, the executive director of Byte Back.

MS. LINDSEY: Hi, how are you? Thank you so much. I'm so excited to be able to participate in this conversation today. My name's Elizabeth. I run a nonprofit based here in D.C. called Byte Back. And we train unemployed adults, mainly folks who don't have college degrees, and we help them to learn how to use technology and move into living wage careers that use technology.

MR. CAPPS: Joining us also is Brad McDearman, nonresident senior fellow for the Brookings Metropolitan Policy Program.

MR. McDEARMAN: My work primarily -- previously, I was a site selection consultant for Deloitte Faness a couple decades ago, so I've been following the site selection world for quite a while. Now my role is to take new research to ground in metro areas to try to get it to take and really just to be evaluating economic development and what's happening in the market and bring what we learn back broadly.

MR. CAPPS: And then joining us is Patrick McKenna, partner at High Ridge Global.

MR. McKENNA: Thanks. It's terrific to be here. I'm Patrick McKenna. I'm a Silicon Valley-based entrepreneur and investor. High Ridge Global, my company, we invest all across the country. About half the portfolio is in Silicon Valley kind of doing the traditional, chasing like the most recent zeitgeist investment, and the other half is looking for opportunities outside of Silicon Valley.

The premise of the firm is there's talent everywhere, and to do that you need to get out into the market and meet people. And so the proposal that we put together, we have investments in Portland, Maine; we have four in Baltimore; two in Miami; one in Atlanta; two in Chicago; recently one in Youngstown, Ohio; and San Diego, which is West Coast, but certainly not one of the top three cities that attract most of the venture capital.

Just a little bit of my background, I'm really an entrepreneur. That's how I like to position myself more than an investor. I co-founded a company called LiveOps back in 2003. We built technology that enabled people to work from home and do customer service. We built that up to having over 20,000 workers, all U.S.-based, technology-enabled, competing against offshoring. And in doing that, we actually moved an office outside of Silicon Valley to Phoenix, so we were kind of one of these site selections, find a city to do that.

And then my third company was called Keniks -- excuse me, NexRep. I had the opportunity to start a company outside of Silicon Valley and partnered with somebody who wanted to live in Portland, Maine. And so we started a company in Portland, Maine, and had the firsthand experiences of the challenges of doing a technology company outside of kind of those top three cities, attracting talent, attracting capital, but then taking advantage of high-quality talent that actually is a lot, lot cheaper. It's like not as expensive to operate a company in a place like Portland, which is only an hour and a half or so from the big talent center of Boston.

So I really look forward to this conversation.

MR. CAPPS: Great, thank you so much. My first question is really for anyone on the panel. Do you any of you know where Amazon is going to put its second headquarters? (Laughter) Because we can wrap this up really quick.

MR. McKENNA: Crystal ball.

MR. CAPPS: I'll ask you, Elizabeth, what are Amazon's workforce need? When they say that they want -- they're creating 50,000 jobs. Can you describe exactly what kind of jobs those are and what city or what cities are suited for that kind of employment?

MS. LINDSEY: Sure. So I'm sure many of you have looked at the RFP or read stories about it. They're really looking for jobs that are highly educated, so they specifically call it software development engineers in the RFP. And what I found really interesting is that they emphasize that the average salary will be $100,000. And so these are jobs that really could be transformative for a region and for individuals, for folks to have jobs that are so well-paying.

I was struck by the emphasis on they're really looking for regions that have strong higher education systems, and I think that totally makes sense. And also I think it's important to think about are they interested in training folks on the job and really providing resources to people who don't already have access to a higher education or who don't already have college degrees?

MR. CAPPS: Is that something that normally happens, that they stipulate that these jobs will be pegged to $100,000 salaries? Because $100,000 is very different from Seattle to Cincinnati.

MS. LINDSEY: Yeah, I don’t know. I mean, I thought that was interesting. I don’t know if that’s something if you guys have seen that before.

MR. McDEARMAN: I think in most site selection projects it is pretty common to put out what the salary amount will be in general. And it could vary up and down, depending on the market they’re in, but it would make sense to put it in the RFP.

MR. CAPPS: Well, on the site selection process, we’ve seen Kansas City’s mayor reviewing 1,000 products on Amazon. We’ve seen Calgary hang a banner outside Jeff Bezos’ office that says, “Calgary.” And we’ve seen, you know, Maryland today in the Baltimore Sun reporting that Maryland’s package for Baltimore is totaling in the billions of dollars.

So could you put this process in context? How usual or unusual is this compared to other similar precedented initiatives?

MR. McDEARMAN: I’ve never seen one like it. I don’t think it’s similar to any -- I don’t think there’s near as many big projects as there used to be a couple decades ago. Statistics show they’re down by 50 percent and that would be anything; 50 jobs to 1,000 have dropped significantly. So this is off the charts.

And I think it makes sense if you think about -- if you look at Seattle. Seattle did a look at this, the office market. And Amazon has more office space now downtown than the next 40 companies combined. And they’re soaking up a -- so not only a lot of the real estate, driving up housing costs and getting talent. So what they’re doing makes total sense.

What’s totally unique about this, though, is how public it is, how transparent. They’ve thrown it out to the whole world at a time when every market is struggling for talent at this kind of level and the headquarters, tech. So it makes sense that they would try to diversify that and invest somewhere else. I've just never seen a process like this before.

MR. CAPPS: Patrick, can a midsized city compete in this process?

MR. McKENNA: In the Amazon process specifically, I guess it depends on what you define as "midsized," right? Because that RFP definitely indicates quite a large infrastructure of both talent, transportation, education, so it's big.

But on a region basis, I think that there actually are probably some more opportunities. So if you think regionally, you know, like Baltimore, which is right up the road, Baltimore as a city, its population isn't a million, but kind of the overall area you can certainly put together a million people. And in the area you could put together the universities. In the area you can put together the package. So either it's going to be the top 20 cities that kind of have the million and the university or it's going to be regions that put together a package.

So I kind of like that about this, is I think it's -- there's a stark reality that for -- to get kind of the technology companies growing, you need bigger than 50,000 or 80,000 or 100,000 to get the synergy between the groups and you have startups and technology companies and growth companies. So I think midsized cities need to think regionally.

And they also need to think about what does it take? You need good transportation. You know, we're in this digital world, but still people need to fly places. You need good education infrastructure, not only like research universities, but the next tier of universities are going to be training mid-tech workers. And then you need to have a positive -- I think the amenities are a little undersold in this story. Right?

Like Salt Lake is one of the best examples of a huge success story and they call it Silicon Slopes. And they really sell the amenities of skiing and outdoors and all this kind of stuff. And I think the whole state of Utah has 2-1/2 million people. Right? So they barely qualify for the RFP as a state. But if you look at the numbers, they have been incredibly successful at attracting investment dollars, growing local companies, and I think we should definitely at them as an example of what's possible for midsized cities.

MR. CAPPS: If we have 100 bids come through this process, that means by the end we have on 1 winner and 99 losers. What can or what should those 99 cities take away from this process? And I'll open it up to the entire panel.

MR. McDEARMAN: I think for me it's a combination of things. I think, on the one hand, it's a pro in that they probably around this shiny object were able to pull together their region around a common objective. There's a good chance that they will go right back to what they did before, back into the silos after this. But if they're smart, they'll think about this and then they'll take it -- I think the next piece is they'll take it beyond this one project and they'll take it beyond just business attraction because the bulk of actual economic growth is occurring in companies that are growing from 10 to 30 employees incrementally over a few years that are already in their market.

And when we're interviewing those companies around the country on our projects they're saying economic development's going right over my head. They're focused on the shiny objects and yet the bulk of growth is here. And economic development actually has a role to play in understanding how to help these firms be more competitive and sell their products outside.

So there's a lot more to that, but I think they should go back and realize there are very few Amazons out there. They're very unlikely to win them. And the bulk of opportunity is going to be what's already in their market to help grow it. And attraction's a piece of the puzzle, but selling, and I think a lot of economic development is becoming selling to outsiders to bring in firms, to bring in talent. You're going to need to grow your own. You're going to need to grow your own talent. You going to need to help your existing talent. Even where Amazon goes they're not going to be able to fill this just by attracting talent from outside. They're going to need to help their talent upgrade.

So I think there's a lot of messages inside of this project that, hopefully, metros and cities and states will take away.

MR. McKENNA: So I agree with everything you said, but I probably have a different perspective.

MR. McDEARMAN: We've been disagreeing a lot in the background.

MR. CAPPS: I'm trying to tease that out.

MR. McKENNA: So those are all very good points and they're true, but maybe not the full picture from my perspective as a Silicon Valley person who's grown a company and has actually felt the constraint of access to talent, high cost, all these things. And when I saw the Amazon announcement I was absolutely thrilled because it brought attention to the problem and the opportunity.

Amazon has outgrown Seattle for good reasons. They're growing their company. They can't get enough people there, so they are forced to move.

There's a really great stat that is a survey in San Francisco, that the Bay Area Council did a survey of millennials. Forty percent of millennials are planning to leave the Bay Area in the next five years. That's an indication of the problem is that the cost of living has gone so high in these places because of the success of these companies that it's not an option to stay in San Francisco or in Seattle.

So Amazon making this announcement and making this broad throw to say, hey, here's our problem and this is what it needs to look like, I think is a really big opportunity. It also indicates more companies coming behind it.

If I could just take for a second, what do I want the 99 who lose to do is kind of think about development differently and to say, wow, are there more Amazons that aren't 50,000 jobs, but are there more Amazons that are 100 jobs or 1,000 jobs? And actually I have the proof that they're existing.

So if you look at Phoenix and Salt Lake and Boulder and Austin, they're loaded with tech company expansion offices. And I think that there's a big opportunity for these places that aren't in the growth playbook, and that's what we call it. Right? So if you get to a certain size and you're growing and you're like, oh, my gosh, I can't open another building, my CFO's going to kill me if we open another 10,000 square feet in downtown San Francisco, so then you get out the playbook. And you go, hmm, this company went to Salt Lake, this one went Phoenix, this one went to Boulder, this one went to Austin. You know what's not in the playbook? Akron, Cleveland, Grand Rapids, Baltimore, all these other places.

So to summarize my point, I hope the economic development people who spent all this effort and don't win the Amazon thing see Amazon as an opportunity to look -- to take that packet and to look for the companies that would otherwise go to Salt Lake or Phoenix and pitch them on coming to Akron and Dayton and Grand Rapids.

MR. CAPPS: Kind of like we need an OkCupid sort of service to match up these --

MR. McKENNA: Let's do it.

MR. CAPPS: -- cities with these expansions. We've seen several cities opt out of this process. San Antonio is one that comes to mind that says that, you know, this bidding process would be deleterious for us were we to actually win it. What is too much for cities to give away? What are some of the big, red alarms you're kind of seeing in this bidding process?

MR. McDEARMAN: Do you want to go or --

MS. LINDSEY: Yes. Oh, I think it's interesting to think about the opportunity cost of giving massive tax cuts, giving space that's so valuable in so many places to one company. And I think if I were a city leader I would think seriously about that. How could we invest those resources in other things, like growing our already existing workforce, investing in education? And as we look to the future we need to invest more in K-12 and especially in STEM for coming generations.

And so I think it's a valid point and it's not always clear that those huge, massive investments pay off at the end.

MR. McDEARMAN: I think the question is, what is the ceiling? If you go back to the BMW project in Greenville, South Carolina, Spartanburg, that was transformative and it was considered a huge incentive. I can't remember what the amount was, but it was not anywhere near where things are now. And it's had a big impact on them, brought in suppliers, helped to really change the dynamic of that market. But once again, those are few and far between.

And places have let themselves become somewhat of a commodity. That's why they're sending a cactus or all of these different things to the headquarters to say let me stand out. And if you think the only way you can differentiate yourself is by these incentives, that's why you're throwing out these big numbers. And in a way you could argue Amazon's been brilliant in this whole process, how it handles it, because it's gotten a lot of attention. It's gotten cities to put their best shot together and it's a tough decision.

But the incentive is what everybody's going to gear towards and say we've got to because everybody else is doing this and yet there's really no personal hit for that incentive. It kind of gets pushed down the road to the next elected official and the next set of folks who have to deal with the fact that you've got all this new stuff you have to create and build and, you know, this is a pretty big project and whether you'll be able to actually recover. What's the return on investment in that? I just wonder how much thought they're giving to that.

And I guess the second thing is some of these incentives sometimes are tax grants, job-creation tax credits and so on, and some are investments in infrastructure or workforce that would stay in the market. So I think you want to divide that out and look at what's actually a sensible thing that's going to help grow the market, that's going to stay there as a result of this project, and what is actually just a giveaway to Amazon to do this. That's a big thing to look at.

MR. CAPPS: I kind of want to ask you a follow-up to one of the first things you said, and that is how transformative is this process really? How does this differentiate between what Amazon might have done had they not created this kind of big global announcement? But you said to 10 cities, you know, what do you got?

MR. McDEARMAN: You know, maybe it would -- who knows? It would still be big, but it would have been confidential, it would have been quiet, and they probably figured if they did that it would go anyway, everybody would find out about it. Typically, these are confidential processes until you get to the final decision, and then you announce it and then you can say what happened, for a lot of reasons. They don't want to usually be inundated by all these different places. They want to be able to focus on the places that they're most interested in.

So I think they apparently have good site selection staff, you know, folks on staff that can manage this kind of process, but I don't know how different it would actually be. When did we ever hear of a 50,000-person headquarters operation going somewhere? This is so different than anything else.

But if it were even a thousand, I think typically you would keep that in-house and definitely if it were a move from one place to another. This is not a move, it's an expansion. But if it were a move, you'd keep it in-house because you wouldn't want existing employees to be concerned that they would think they're going to move from one city to another.

MR. McKENNA: The counter point here is that I don't think you can buy this bud. It's not possible. You can't give them $10 billion and buy it if you are the wrong fit. This is important. If you don't have the skills to fill those -- the $100,000 was a huge market signal: This is not a call center job. Call center jobs are notoriously mobile. Right? You give somebody all this money and tax incentives and a building, and five years later, they just move that building to the next place and they leave those $13 an hour jobs behind. This is not that. These are $100,000 jobs. This is a big job.

This is what I'm less worried about the tax incentives on this because if you don't have the skills to fill the jobs, you can't buy these jobs. You can buy call center jobs. You can't buy these jobs.

So I would just say that any city that's going into this thinking that the cactus or even billions of dollars of payroll tax subsidies is going to win this, it's not going to work. You know, the plan needs to be how do you have a reasonable way to either produce these workers or attract them?

Here's another secret. It's very important. San Francisco doesn't produce the thousands of people who work in those jobs. They import them. San Francisco has great amenities. It's got an urban environment. It's very inclusive. It has very progressive social values. It's a beautiful place, a great music and food scene. So people from around the world move to San Francisco. Stanford and Berkeley can only produce so many people and it's probably less than 10 percent. So that's why I think it's okay if a city doesn't quite have those people. It's not 50,000 tomorrow. But if they can make a reasonable case that they can attract the people and build it up, then they've got a shot.

MR. CAPPS: Well, let me push back on that. Like why can't a city buy that bid then? I mean, presumably, HQ1 is not populated by West Coast Washingtonians. It's people who came in to fulfill those jobs. So why can't city say we'll do all these things and then people will move here and do the work?

MR. McKENNA: You make the reasonable case. So say you're an unattractive lifestyle or low-amenities location. Right?

MR. CAPPS: Name names. Name names. (Laughter)

MR. McKENNA: I'll let your imagination take that. So you can't just say I'm going to give you $5 billion to move your headquarters to a place that wouldn't possibly be a place that Amazon-type workers would want to live and work.

MR. CAPPS: Right, okay.

MR. McKENNA: And that's what I'm saying is you can't -- if you don't have the basic amenities of infrastructure, quality of life, universities, transportation. Zendesk is one of my favorite companies that proves what's possible here, and they do this without subsidies.

So Zendesk has 250 people in Madison, Wisconsin. So they're a San Francisco-based company. And you know who the last person knew that Zendesk was in Madison? The mayor because they just started hiring people locally out of the university and they built it up.

But they do have one big issue is the airport's not great. And so in the winter, people don't like to drive from Milwaukee into the Madison Airport. So actually it's kind of funny that they have built very successfully a big office, and it's going to 500, in Madison, but if it wasn't a place that people were willing to actually suffer through a bad airport, they would never be able to have a successful office there.

MR. CAPPS: Are there really that many people, though, who won't suffer a bad airport for $100,000 salary?

MS. LINDSEY: I think people who have a lot of options, right, like there are people -- I mean, many of these jobs are really in demand and there's a shortage of folks who have this type of training and education. And so I think that, yeah, if you have a choice between the best city where the airport's right there, the winter's aren't as bad, maybe you choose that.

MR. McKENNA: Yeah, actually people won't go to -- it's their life. I don't think the qualified people that you're -- Amazon isn't saying they're going to be doing -- this isn't a warehouse worker job. Like these people have options.

MS. LINDSEY: Right.

MR. McKENNA: And, you know, I deal with this when we're growing a company in Baltimore or in Miami -- well, Miami has its own amenities -- attracting talent to those places is a bit of a challenge because you're actually outside of the professional career path. It's actually a bigger problem. It's a different problem, like if this company doesn't work out, what's my next company? So pulling somebody out of the bigger market -- I got off track there a little bit.

But yeah, people who make that kind of money aren't going to go to a place that they don't want to live. And this is a struggle in almost every metro that's not already a Bay Area-Seattle type metro. So they feel like -- I think this will be interesting. This is where I think you're right that it has to be a fit because talent -- this is an issue about talent and diversifying their base.

But if they aren't going to just another Seattle or another San Francisco that already has this tech base and is already that draw, that handful of places, these others places that are vying for this feel like they're going to throw incentives into this. So this whole project seems to be designed to maximize not only making sure places actually are a fit for this and have the right pieces, but are willing to adapt and actually throw some incentives into the game.

Obviously, we're seeing some big numbers from some places that have pretty high -- a place like Maryland and New Jersey, they're throwing out billions of dollars. They shouldn't have to. Those are the kinds of places that already have this kind of talent in pretty high levels relative to most places. But they're throwing out these numbers, so I think the incentives will play a role. And it probably wasn't --

MR. McDEARMAN: The question is, was it necessary or is it just to differentiate between a handful of places as you're making that final choice?

MR. McKENNA: Yeah, maybe it's not going to get you in the game, but it might win you the game.

MR. McDEARMAN: It might win you the game.

MR. CAPPS: Okay. For the cities that bid, for the regions that bid and don't win, are these bidding processes durable? Can they build something from them? Can they go forward with regional or economic development plans just based on this HQ2 process?

MR. McDEARMAN: I don't think it's enough in my own personal opinion because I think it's going to so -- it's great that you can get this much energy around attracting something exciting. The challenge is getting this much energy around the hundred high-potential, mid-market firms and scale-up firms that, like I said, are growing from 10 to 50 to 100, which is the vast majority of these kinds of projects. And we're hearing that from economic development folks. They know that's where it is, but they have pressure from elected officials, from their board members, from others, to go out and attract these things because it makes them feel good and it adds a dose of energy.

But where the bulk of the growth is, and even starting to make investments in workforce, in your existing workforce, because you're not going to be able to attract as much as you want if every place has a shortage of this kind of worker. And they say they do. Everywhere we go they feel like they're losing their talent to other places, no matter where it is.

How are you going to fill that gap in this other place? They're going to have to invest in workforce and they should take that lesson from this.

They're going to have to invest in infrastructure. Going to have to invest and think more about inclusion and how if you're attracting these high-end jobs we're seeing more and more people being pushed out, even that were living there already. We were just in Nashville as part of our project on inclusive growth and they're booming in a lot of different ways and it looks great. All the averages are terrific.

But as we got inside of this lab project, we started finding out that over 50 percent of their population is no longer able to just afford month-to-month life as wealthy people come in from outside. So it's pushing them out of the city, farther out into the suburbs, away from these jobs. So you have to think -- I would just hope they would think more strategically about what they're trying to accomplish, not just attraction for the sake of attraction, but really think about how does that fit and what are you trying to do? How does it figure cluster efforts? How does it fit inclusive growth, workforce, and so on?

MS. LINDSEY: Yeah, I totally agree. I mean, here in D.C., this is one of the most educated metro areas in the country and my organization, we work with folks who live in the District of Columbia, who can't afford a Metrocard to come to class, who don't have -- who've never used a computer in their careers.

And so when I think about it and I look at the Amazon RFP and think about this process -- and you said something earlier, you said that this will attract Amazon-type people. And I think that was a telling way to describe it because if we're thinking about bringing in what we picture as a software engineer or an Amazon person, we're completely leaving out the people who are already living in these regions, people who are long-term residents, and who have incredible talent.

And I have a student who was living in a storage unit and would -- like slept in the storage unit and would show up right back at 6 a.m. every day and studied and now is working in IT. I mean, what company wouldn't want someone with that kind of drive and that kind of commitment?

But if we're just so focused on attracting talent or kind of playing the shell game with moving people from one region to the other, then the long-term effects are inequality and having a region where everyone is benefiting really are lacking.

MR. McKENNA: Look, if you have no job to generate the income, then you have no jobs.

MS. LINDSEY: Absolutely.

MR. McKENNA: So I actually don't think these are competing tensions.

MS. LINDSEY: No, I think the jobs are great.

MR. McKENNA: Right, so if you don't have the job -- and also, like this idea of just working internally, like if you have a small -- small economic networks are less poor than big economic networks. So if you have a bunch of small things, they're poorer than big things. And so bringing companies from the outside actually gives you connectivity to the bigger economy. Right? So if you have an office of a hundred or 200 from a company that is, you know, a few thousand, you now have connectivity that's bringing new economic resources into a market.

And so Pittsburgh is a good example. Right? And I have a very -- I agree with your point, actually, about how do we get the local community engaged in these growth companies? Because a lot of times the talent isn't -- the talent there isn't up to the level that's needed for the job today. How do we build on ramps?

MS. LINDSEY: Exactly.

MR. McKENNA: First we need the job there.

MS. LINDSEY: Exactly.

MR. McKENNA: And then we need the on ramps. And so in Pittsburgh, which has been a very good success story around AI, on autonomous driving, also on the life sciences -- it's kind of how -- anyways, they have a shortage of IT workers. They don't have people to run the DevOps and run the servers. This is a low-level tech job -- not low level, this is a mid-tech job. It's a mid-tech job.

MS. LINDSEY: And it's a living wage job.

MR. McKENNA: It's a terrific -- it's like a $50,000 job.

MS. LINDSEY: Exactly.

MR. McKENNA: And so there's this great nonprofit, it's called Pittsburgh Academy. And what they do is they go to the companies and say what are the IT jobs that you're going to need that you wouldn't recruit somebody from San Francisco to do that job?

MS. LINDSEY: Exactly.

MR. McKENNA: And then they say you would pay 15,000 or $20,000 to recruit somebody for that? Okay, give me 90 days.

And then they go into the communities up the hill, stuff like that, in Pittsburgh, and they find groups of people who have the cognitive of skills and they have the ambition, they have the things, and they recruit them in. And for free they will train them over this 90- to 120-day period, knowing that there's a job at the end. And then they take the bounty from the recruiting to pay for the training, and then that's how they do it.

And here's my point. If you don't have the problem of a deficit of IT workers, you don't get the on-flow.

MS. LINDSEY: Totally.

MR. McKENNA: So I think these have to work together, incredibly important.

MS. LINDSEY: Absolutely.

MR. McKENNA: So that high-level all the way through the on-ramping. And I'm glad we're talking about this because we wouldn't just want one without the other, but we can't have the other without the one.

MS. LINDSEY: Totally. I totally agree. I totally agree. I think the issue is that we forget about the on-ramping.

MR. McKENNA: Yes, it's true.

MS. LINDSEY: And we underinvest in the on-ramping.

MR. CAPPS: Can you give us some examples, some other strategies, Elizabeth, for workforce investment and the on-ramping the way you're describing it?

MS. LINDSEY: Yeah, I mean, the example you just shared is a great one and it's very similar to Byte Back's model here in D.C. I think companies -- it's important to think about ways to recruit talent that's not just the typical let's go to job fairs or let's go just to the local universities.

I also think across the country we have completely underinvested in workforce development on the job. And so what that's created is a system where companies just want to hire people who already have every single skill that's listed. And as a result, people who don't already have access to those skills or to training don't have a shot at all. So I think we really have to think about how can companies work with nonprofits, work with local governments, work with communities to find people who have that talent and how have that drive, and then invest in actually training them.

MR. McDEARMAN: To your question earlier you were asking what could a good result of this be, and I think what we found in our recent lab project on inclusive growth is that a lot of these economic development group aren't working not only with each other, but they're not working well with the workforce group.

MS. LINDSEY: Definitely. That's definitely true.

MR. McDEARMAN: They didn't honestly have a good understanding of what's going on in their market, which is why this whole project came to be. Their board members and private sector and others were starting to ask, we keep hearing about housing cost and kind of the hollowing out of the middle-wage jobs and lack of jobs at the highest end. What's going on in our market and what are we doing about it as economic development?

So you've got what's arguably, you know, the biggest economic issue of our time and the economic development groups have been so focused on the sales part, and rightfully so, they're being pulled a lot of different directions. They're being told to go sell. They're being told now to focus on how to distribute this growth. They're being told to partner with all these groups. And they just don't have the resources to be in all these spaces, so they're really at a gut-check time.

And I think this project is great because it's going to make them -- I think you're right, it's an infusion, a possible infusion, of energy to all of them. But I'm hoping that it will help them to shift to not just focus on the shiny object, to start really looking at their economies and where they have to make the investment.

MR. McKENNA: Can I bring a lesson learned? Just a very specific example on this question of how do you get more inclusivity.

So I've been to a lot of places over the last six months meeting a lot of people and I was in Madison, Wisconsin, and I met with the Zendesk people. Why is it successful and what are the challenges? One of the big challenges was how do you evaluate local resumes, the nontraditional resumes? Because you know how we hire in Silicon Valley? We go, oh, I got one who worked at eBay. I got one who worked at Google. Easy. I got one who went to

Stanford. That's the easy to to do it.

And even for like these mid-tech or these mid-level jobs, if somebody worked in the finance department at Facebook, they've probably got a good vetting. So in Madison, where they have their finance department, they're like we needed to understand what skills we needed rather than the actual brand. This is a lot of hard work.

And he gave me this funny example. He's like, you know, Badger Financial, we don't know what Badger Financial is, so we've got to understand what would somebody do at Badger Financial that then would give them the qualified skills to work at Zendesk CFO office or financial office? And so I think this is an important conversation and look at different backgrounds and map the skill to the job rather than just the brand on the resume.

MS. LINDSEY: Totally, absolutely.

MR. McKENNA: It's harder work.

MS. LINDSEY: It's more work, yeah.

MR. McDEARMAN: It's harder.

MR. McKENNA: It's a lot harder work, yeah.

MS. LINDSEY: Yeah. That's definitely true. And I think, you know, some folks really don't even have a resume, right? And I think we forget that people need to start somewhere, so I think there are other strategies, as well, like companies can take a risk and give people internships. People can get people in the door, provide mentorships.

We link local IT workers with our students to mentor them. Because just even understanding what are the skills necessary for a job, understanding how do you dress for an interview, how do you navigate your first staff meeting, things like that we all take for granted. And it is more work, but I think it really pays off in the end in terms of diversity and in terms of having a workforce that's bringing different perspectives. It's worth it, but so much to do.

MR. McKENNA: There's a company in Grand Rapids called MOVE Systems and it's a New York-based company. And they're building these modern food trucks -- no, not the trucks, but carts. You see them on New York City streets, the carts. And the entrepreneur, he's from Michigan and he had this vision that they should replace all of the food trucks in New York City with these modern platforms of like commercial kitchens with panels and all this kind of stuff.

And he's from Michigan. He's like we should build these in America. And so he raised $10 million, had this idea, and went to Michigan. He ended up buying a factory and had all sorts of problems trying to upgrade the skills of the local workforce who were kind of good at bending metal, but not doing it at this level. And he did all these investments and brought it up, then he did this thing with apprenticeships that blew my mind.

So I visited his factory and he's designated like about 20 percent of the factory as a lab for the local high school. And they have these big Plexiglas walls that you can see into the factor where the workers are building these very modern like food cart things with electronic panels and all these electronics. But the kids in high school are coming and doing their shop class and saying I could do that job, $25 an hour welder. I can do that job. Or I can do that programming of the initial thing, it's basic stuff. It's like, oh, that's a $30 an hour job.

So that connecting -- and that has to happen in Grand Rapids or wherever. It can't happen kind of theoretically somewhere else and to get people commuting.

MS. LINDSEY: Yes, exactly.

MR. McKENNA: And that's I would just say where attraction can come in and can be very helpful. And the Spartanburg example I gave, where BMW came into that market, they demanded internships and workforce training the way they had it back in Germany. And I think you'd be hard-pressed to find a place, a community college system, technical college system that does a better job of training workers. That had a lot to do with the foreign firms that had come in and put an infusion of this idea and how it's part of their culture, and it's benefiting American firms.

So I agree with you in some point we talked about, like there's this infusion of energy that comes from attraction. It's still at most only 5 to 10 percent of your job growth, probably less than that, but probably gets 80 to 90 percent of the attention. So that's my point, is that it should get -- you need to be giving more attention to what you already have and where your jobs are truly growing and the companies that could get the most benefit for it.

MR. CAPPS: I want to shift gears slightly from skills to talk about infrastructure. I think one of the most exclusive conditions in the RFP is the transit requirements that it calls for in cities and regions. And I wonder whether you think this shiny object is enough to convince leaders, both city and regional leaders, to start thinking seriously about creating the infrastructure today for the bids and jobs tomorrow.

MR. McDEARMAN: I will say I hope so. I think whether they get this or not, it's a workforce issue. It's how are you connecting people to work? It's a housing issue. How far away do they have to live to be able to get to their job? So it's all about access.

And I think almost every market we're in, almost no matter where it is, particularly if it's below the top three or four of the New York-Chicago type markets, they feel they have a transit issue. And so, yes, hopefully it will make that difference. And I hope some of these incentives are focused around that a lot of their investment is on the transit side, not just a direct handout to Amazon, but it really is something that's going to benefit the region.

I think every place we've done projects in the last five or six years get the transit is an issue. Indianapolis just went through it; passed a transit referendum. Nashville's going through it right now. They're all starting to realize they can't grow anymore if they don't do something about this. It just simply -- their roads, if it's just the roads, can't take it anymore.

MR. CAPPS: Right, and there's a corollary to that. When Nashville does something like announce a $5 billion transit initiative, how much of an alert is that? Does that actually put Nashville on the books for certain companies looking to expand? Patrick maybe?

MR. McKENNA: Well, this is where I would 100 percent agree with you on the job growth is going to be local, but the things that are required for Amazon will help the local companies, as well. Like Amazon wants good transportation not because it's Amazon. It's just because that's how a modern company accesses its global markets. And that's how you get workforce. And so whether it's an airport or quality of life from not having people sit in traffic or whatever, it seems like hopefully this is identifying what a modern economy city looks like and they should do it anyways.

And if this process gave them the self-assessment to look at it and go, oh, boy, we're $5 billion short, or, huh, we're actually a lot better than we thought -- hopefully there's a few of those. But I think that what would be good for this would be good for anybody.

MR. McDEARMAN: It just takes a long time. So this is going to -- does it affect things right now? I don't know. If I'm making a decision now where I'm making an investment, Amazon's is big enough that they might consider what you're planning to do long term, but Nashville's just floated this idea. It'll take a while to actually get it passed. If it passes, then once it does, this is real infrastructure. It's going to take 10 to 20 years for all of these basics to be put in. so whether it actually affects that in the short term or whether they would more likely go where somebody already has at least some of the basics now is a good question.

MR. McKENNA: But as an investor, so take my other hat from like the expansion, but actually as an early-stage company investor that signal is important to me. Right? If Nashville is making this commitment to at least road-mapping how they're going to be investing in their infrastructure, both skills and physical plan, then if I'm getting a pitch or I might show up there and I'm talking to a company and they're saying they're going to be doing these things.

And I go. in five years from now, like this company is starting with three people and in five years from now the chance of this company being successful and being able to stay here is going to be related to the investments that this community might be making, I'm probably more like to be investing there than a city that seems to have its head in the sand and not be talking about the infrastructure needs. So I think that's good signal to outside investment.

MR. McDEARMAN: One other thing I'll say is that this should have been happening already with the Amazon Fulfillment Centers because those needed transit infrastructure. These are more low-wage jobs and they're concentrated typically in the periphery of these regions. So I guess I'll say a couple things about that.

One, that's on the transit side, so it should have brought it up then. But I think the other point is that Amazon has -- states and regions have been giving incentives, and a little bit different, to those Amazon Fulfillment Centers. In all of our work we're finding that every single metro we go to is announcing a 1,000-person Amazon Fulfillment Center, but they're thinking it's unique. They think they have a unique relationship with Amazon because they attracted this thousand-person facility and they've given incentives. There's over a billion dollars in incentives that have been given to those facilities. And we just wrote a blog about this because it's hard to understand why you would give incentives to something because it's part of their business model. They have to be in every one of these markets.

And we went out and did a quick search of the top 40 markets and they've got one to three mostly in the thousand-person facilities in all of these markets. So back to thinking strategically, they need to be in these markets. They should be paying for the privilege to be in these markets and pushing for transit and other thins to make sure they get the workforce. But to give incentives to create these jobs doesn't really make sense because they have to be there.

MR. CAPPS: And that's not just true of Amazon. I mean, like Carrera's, like hunting and fishing outlets, cities will pay -- I mean, much smaller cities or even counties will just pay incredible amounts of money to attract those jobs. And those jobs number in the dozens.

MR. McDEARMAN: And they didn't use to ever do if for retail because it wasn't a traded sector industry. And Amazon's kind of unique because they come off as a tech company, this I really kind of replacing retail jobs and it's more logistics. So you could argue that these are good jobs at the educational level they're trying to hire, and, at the same time, they're going there anyway and they are displacing other jobs. So it's, once again, thinking strategically about where you put these incentives.

And to me, the only reason I can see giving an incentive to Amazon would be to locate near where the workforce is, where there's easy access to the workforce. And that's a good thing for them. But otherwise, there's a lot of incentives that have been thrown after those projects that just don't make sense to me.

MR. CAPPS: Where is the tipping point? How can we start to talk to leadership about the things that they're willing to give away? This is almost a kind of prisoner's dilemma.

MR. McKENNA: I mean, I guess I look at it a bit differently. So, I mean, I think that these communities should be thinking about what is their assessment. Like what is their package? Right? So Youngstown is a place I've spent a lot of time in, in the past year, and what I've come to learn is that this is one of these places that already has kind of organized itself. I mean, it's a city that's kind of famous for the Black Monday and the loss of the steel jobs, and it's had a really rough go since '77.

But if you go there and you start meeting the people who have kind of come through the other side and they say, look, these old jobs aren't coming back and we as a community are coming together to look forward. And the things that they're doing are the right things for themselves and I think they're going to be attracting newer jobs. So this isn't a crazy thing.

So when these steel towns were built, there was like big, ugly factories all along the rivers around, so they built the city so they faced in. And Youngstown State University has its design emphasis and stuff like that and they've been thinking about how do you redesign these steel towns so that they're more attractive and take advantage of the amenities of the rivers and old parks and stuff like that. So they're literally turning their city inside out, like making the main street opened up so you can have sight lines so you can see the beautiful hills. And then cleaning up the riverfront, which has this big old like train tracks and they're building like amphitheaters down on there.

These are things that's going to improve the quality of life for the people who live there and it's going to make it more attractive. They have low-cost housing. And also, at their university, they're now tying the university to the downtown. It's only, I don't know, maybe less than a quarter-mile, just up, but those were two distinct areas.

And then they're also building residential housing for students to make it, rather than commuter, to create a college environment. And then they're also buying a lot of housing stock and either tearing it down or renovating it to make the platform more sustainable for the cost of supporting it.

So, gosh, all of those things are things that they should be doing anyways. And I worked with them to help them do a bid, (inaudible), not public, for a 300-person operation from a tech company. And going through the process, they did this assessment and they think they've been doing the right things, but they hadn't packaged it together. And they package it and then they presented it, and we'll see where it goes. I mean, a lot of people -- there's usually 10 or so. But just the idea of them coming together, assessing themselves, and then putting it into a way that communicated to a very high quality potential employer I think has made them much stronger. Ad we did a site visit and I was really blown away about how they were working together.

MR. McDEARMAN: But they did the hard stuff first.

MR. McKENNA: Yes, they did.

MR. McDEARMAN: That's the plus. I mean, you can't do the attraction effectively until you've done the hard stuff.

MR. McKENNA: You're right, actually. I think that they made their -- their proposal was way more attractive because they already were showing that this stuff was not all done, but was like in progress. So you can see the stuff was improving. You can see the results of this. And also, they had -- there are also a lot of grant programs already that are out there that you can get funds for these things.

So I'm more optimistic that the post-Amazon impact can be very positive, maybe not for all 100 people who don't win, or 99 who don't win, but maybe 20 or 30 of them.

MR. CAPPS: That sounds like a durable process and I wonder what cities and regions will say we didn't get it this time, but there's going to be 1,000 jobs or 100 jobs coming down the line and we have this idea of ourselves now. Maybe we can keep running a bit.

MS. LINDSEY: Or like both of you have said, the cities who realize, wow, like in doing this analysis we're really lacking in transportation or we're really lacking in housing, and that this will be the catalyst for them to really start being serious about how can we make our entire region more attractive to the people who work there and more attractive to companies. That's huge.

MR. McDEARMAN: Can I just say there are some places, San Diego pops to mind. We've worked with them on a number of different projects. They are already doing this. They get that innovation and the research is what has made them who they are. They haven't attracted their way in. The way that they're attracting is through mergers and acquisitions. Foreign companies and others are coming in and buying their biotechs and setting up and staying there because they want to be a part of this rich ecosystem that San Diego's established.

So they get it. They get it that their growth is going to come from focusing on what they already have, and even to the point of being a binational region. They used to look at Mexico, kind of the Tijuana side, and say that's a competitor. Now they're all for one. You can have your manufacturing facility in Mexico, the benefits of all their trade agreements, and you can still have your research and headquarters over on the San Diego side.

So they're being smart. They were one of the cities that just went through this inclusive growth lab with us to kind of look at, okay, and who's being left behind in all of this growth in our very high tech end? Who's being left behind and how are we going to funnel our workforce? And one that's been able to say, even in San Diego, a very desirable place, the housing costs are getting so high that they're having trouble recruiting from outside. So they're realizing we're going to have to train people for these jobs if we want to keep growing from within.

So I think they're a good model of a region that's being collaborative and kind of gets it. And I think it's because they grew from a more organic entrepreneurial mindset than from we can attract our way into who we want to be.

MR. McKENNA: I invested in a San Diego company and I agree with you in that when I -- because that was one of my first outside of Silicon Valley investments and I thought, well, how long is it before they move to Silicon Valley, like they were a startup. And I went down and visited them and I saw the stuff, like the Gaslight District is awesome, they've got great housing being built around the baseball stadium downtown. I'm like, wow, people are going to want to live here.

And they've been able to grow that people, it's like 500 people. It's a very technology-focused company and they've been able to keep their costs low, raise less money. So I think in the end, they're going to actually be a more successful company. But if I'd gone down there and seen there's no way you're going to be able to grow a successful tech company in San Diego, I wouldn't have invested or I would have insisted that the move to Silicon Valley.

And I think this is actually part of the reason why places that are serious about economic development need to think about their amenities and the quality of life, is how many great ideas get spun out of our research institutions all across this country, from Omaha to Ann Arbor? Right? And then what happens to that technology? Even if it starts, those companies then get moved to Boston or San Francisco. Why? Because people are skeptical that there's the infrastructure to actually build a world-class company in these places. And that is locally grown technology and talent, but then if you put the layer on of infrastructure and actually paint the picture of how it can actually grow and be successful locally, that I think is a combination of what we're talking about.

But you do need to be able to make the pitch we're already doing the things that's going to allow us to build this company locally and you don't have to move it.

MR. McDEARMAN: And when you create gravity, like I'd say San Diego has or Minneapolis has in the medical device, for example, they're attracting companies, they're growing companies. The companies are coming in because their customers are there, because their work hours are there, because the system is there that can help them to be successful. So you're not going to have to give as much in incentives because you have gravity.

MR. McKENNA: Right, because people are going there for the skills.

MR. McDEARMAN: They're going there for skills, lifestyle, all of it, and they want to stay once they're there.

MR. CAPPS: We want to open up the session to questions. A reminder that a question in an interrogative statement. (Laughter)

MR. McDEARMAN: What does that mean?

SPEAKER: (inaudible) would you explain to me why given the -- why given that Amazon is looking for tens of thousands highly paid technology networkers, why is it looking for one second headquarters as opposed to, say, Alibaba who's just announced 15 billion being put into an academy which looks for 20 cities all over the world?

MR. McDEARMAN: Maybe they are. It would not be surprising if they go through this process, to me, and come up with multiple locations or that they're looking out and you're we'll start with this net one and given the way we're growing, we're going to have to go to the next one. So I wouldn't rule out that they're not looking for that because Seattle's even -- you know, they're obviously saying by having to go that even as big and successful and tech-savvy and headquarters like a Seattle, they probably need to diversify. So your question is a good one.

MR. McKENNA: And if I could say something critical of the tech industry not that I'm the representative of, but I am a representative of it, is even though we've built all this technology to distribute, digital work and all this kind of stuff, we are biased towards location. Just look at Apple's headquarters. They have just spent billions of dollars to move all of their people from these different -- even it wasn't enough to be in 10 buildings in Cupertino.

MR. McDEARMAN: Sure.

MR. McKENNA: They need everybody in one darn office. And if you look at Facebook, they have a campus, and Google's campus. So there might be a bias towards these larger campuses because of the way we think about creativity, the way we think about innovation, and that if -- and it maybe this, as I say, okay, we're going to put 50,000 because we need a critical mass of that so we can maintain our culture of innovation and collaboration. I think that that's a bit of a problem because that's leading to this concentration.

I would love for the Facebooks and the Apples to figure out how to do the model you described. It'd be like, yes, we have technology that doesn't matter if you're in Gary, Indiana, or if you're in Cupertino. You are collaborating and building innovation together. That would be a very successful formula.

SPEAKER: And which would be worldwide.

MR. McKENNA: Or worldwide.

MR. CAPPS: Ma'am? It is a funny thing that an industry built around the Internet insists on being very local.

SPEAKER: Yes, good morning. U.S. cities are not nation states. Cities typically, with D.C. being the exception, function within states. And part of what you all are saying kind of it if you build it, they will come. My question is about the dichotomy between cities and the states they may inhabit.

So Houston is probably a progressive city where Sikhs, Muslims, gays, lesbians can be comfortable, but if they go 50 miles without the city, they may not be comfortable. So you have North Carolina, you have Indiana, you have companies who want to attract a multicultural workforce because that's where the talent is. To what degree are cities constrained by the states they live in or vice versa?

MR. McDEARMAN: A great question.

MS. LINDSEY: That's a great question.

MR. McDEARMAN: And I think it's relevant right now. If you look at what happened in North Carolina with the bathroom bill and had companies, you know, PayPal and some others, say we're not going to go there, there's a real tension right now between the states which are trying to control certain things and the cities which feel like they're different.

I think historically, places like Austin and Charlotte and Raleigh-Durham have been seen as their own, not just the city, but the region as their own place, fairly diverse, welcoming, open places, and that a lot of companies particularly in tech are drawn to. But in the time that we're in right now could that be a factor? I think it could be. It's a risk factor because the state does have some control to put in legislation and do some things that could affect the cities inside of them. So you're seeing, I think, a bit of a battle where the cities are trying to say we almost need to be able to rise and be our own thing and do things our way or it could cost us.

MS. LINDSEY: And I think that's exactly right and I think that's where part of this focus on amenities comes from, is that if you're in a city in a state where I might not feel comfortable traveling across the state, but if there's a city where there's great housing and great restaurants, there's a multicultural area, then, yes, I'd be more likely to move to that place. And so, yeah, it's almost like kind of creating bubbles.

MR. McDEARMAN: I'd say part of it, too, though, is that a lot of the out-in-the-state places where we've done projects, they feel left behind, too. So when it's inclusive within the metro area, the rural areas are feeling left out of this. So I think it's on the cities and the states together to work at how are you going to spread this out and make sure that the rural areas are also benefiting?

So this is part of the message I think that's coming up from states is it's great that our cities are doing well and able to do some of these things, but what about the rest? And I think you're going to see some pushback if they feel like they're losing.

MR. McKENNA: Super quick point as an example is that this is why it's so important, even more important, for kind of the modern tech companies to have offices and employ people directly in these communities because they're also bringing their culture. Just show that if you are an inclusive company, you get the best talent. And if you have the most benefits, you get the best talent. And it puts pressure on everybody to up their game to get the best talent.

And one of my favorite examples is Salesforce in Indiana. You mentioned Indiana. Mark Benioff is a great global citizen and he was not afraid to use the 2,000 jobs that he has in Indiana to fight back against laws that he thought were unfair in the state of Indiana. He won. He said, hey, I'll take my 2,000 jobs back to California or move them to another state if you pass this regressive social law. I think it was -- was it a bathroom ban or LGBT issue?

And so I think that if you want to have this kind of power, then you need to be relevant and you need the jobs, and that's the economic power.

MS. LINDSEY: And I think that the tech center does have incredible power to really change our society. When you think about our politics over the past year, I think what we saw is that huge swaths of our country feel extremely left out. When we think about, okay, there's Silicon Valley over there, there's New York over here, and so many people aren't benefiting. And so I think that this is a huge opportunity to bring more people into this incredible economy and incredible opportunities. And so I hope that we see that with the Amazon move.

MR. CAPPS: Ma'am, you had a question.

MS. MAREFAT: Thank you. My name is Mina Marefat. I'm with Georgetown University and with Design Research. Thank you for a very interesting discussion. I think some of the negative aspects have not been espoused as much.

What if this whole thing is just a ploy on behalf of Amazon? They already know they have such an incredible workforce. They already know where they're going to go and this whole thing is a game to get more money and more incentives from wherever they want. They would use this almost like a real estate ploy.

MR. McDEARMAN: Those bastards. (Laughter) I think we will never know that, but I really do think Amazon kind of knows what they're doing. This is unique and different and they're putting it out there. I don't think -- in past projects I've been involved in or watched, you have to be careful how much you play places against each other to some extent because you don't want to make enemies out of it. I think they've been fair. They've laid it out and here's what we're doing.

Even if they already kind of know, we will probably never know that. There's a good chance that they do have some ideas, but maybe they're also open to something they haven't thought about.

MR. McKENNA: I just want to fight back against that cynicism. I respect your opinion, but I just don't think that's a fair criticism. Because I'm a business person and if I knew where I wanted to go, why would I put the bid out to everybody? I would go to 5 or 10 places and I would say, hey, this guy's going to give me this, what are you going to give me? And you can do it behind closed doors and you probably can grind a better deal without the hassle and the failure. So I think if that's their plan, risky plan.

And so I honestly think that they're open to seeing what's available and what's possible and using this process to tell a more positive story of tech. And I obviously am not a cynic, if you guys can't tell, and so I think I wouldn't challenge their intentions.

MR. McDEARMAN: But they are just playing a game, whose fault is that? In way the states and regions have created the game and they're plugging into it in are really smart, fair way trying to get what they want out of the game. So I think we need to look back at ourselves and how we manage our places and go from there.

MR. CAPPS: Yeah, as a reporter I would say that oftentimes when you look in some big, economic development initiative, you will find someone who will say, well, this is what we had to do because this city across the country was willing to offer them X, Y, or Z. So this process is already kind of playing out.

Sir?

SPEAKER: Thank you. This is a question, it doesn't sound like one, (inaudible) International Urban Alliance. I'm a Christian. I'm planning to go to the church and pray for: one, that Amazon settles in our region; two, that Jeff Bezos continues to be as smart, as creative, and as lucky as he has been so far. This is not an issue that was touched here.

MR. CAPPS: Sir, I need you to ask a question, please. We have a lot of people who would like to ask a question.

SPEAKER: That is the question. That is the question, what if Jeff Bezos is less lucky and less creative and less smart in the future and our partnership with Amazon somehow fails?

MR. McDEARMAN: Gosh, I guess that could be like any short or long term. If you look at, say, Kodak in Rochester, people thought they would go on forever and they were 40,000 people and when would cameras ever go away, and here we are. So Amazon will be disrupted at some point. And even if you get, you know, on these Fulfillment Centers, for example, they're 1,000 people per; in 10 years they may be all automated, so you may not have any jobs in those. So the world is going to change and they'll adapt with it. And I think that's the risk you take with any company and any investment that you make.

MR. McKENNA: I would also say that this happens all the time. In Indianapolis, they constructed a public-private partnership. Indianapolis put 400 million toward a criminal justice facility and it failed and they're out that money.

SPEAKER: Would negotiations with Amazon have to take this into the equation?

MR. McDEARMAN: Usually they do.

MR. McKENNA: Yeah.

MR. McDEARMAN: There are claw-backs if you don't create the number of jobs you've said and so on, so you should have --

SPEAKER: (inaudible)

MR. McDEARMAN: There are expectations that you keep a certain number of jobs for a certain number of years. So if they only came up with 5,000 jobs out of all of this, any smart place would have claw-backs and not give them the incentives until they actually produced that.

SPEAKER: Thank you.

MR. CAPPS: Ma'am, in the back.

SPEAKER: Hi, my name is Rebecca. I work for Governor John Hickenlooper of Colorado in business development, so today's a day of celebration for my team to get that turned in.

MR. McKENNA: Yes, happy application day. (Laughter)

SPEAKER: Thank you. I'm interested in your opinions about the role and responsibility of local governments should they win this project and how to make it inclusive for the Native population as well as the people that will be coming in to provide the workforce.

MS. LINDSEY: I mean, I think we've talked a bit about that, right? Like I think thinking about how we can train the individuals who are already in the cities. I also think we haven't talked as much about thinking about the affordability of housing as a huge one. Patrick, you mentioned Seattle. We all have friends in these places that are just completely priced out. And I think thinking about how can we create workforce housing? How can we ensure that local folks are able to access all the different types of jobs?

You know, that average salary is $100,000. I am assuming that there are going to be different types of jobs, though, right? Like there will be some IT support jobs, there will be admin jobs, and those are jobs that can provide a living wage, maybe not $100,000, but $50,000. And how do we ensure that diverse communities are accessing those, as well?

MR. McDEARMAN: I'd say the thing I think about, too, is how it affects other companies because a lot of their talent is going to come from hundreds of other companies that have the kind of talent they want, and that's normal. It's a part of the process, but when it's this big, this fast, I think that you need to be talking to a lot of your existing companies and making sure that you're synching this up and working with Amazon to phase this in in a way that works well for your community.

MR. McKENNA: And it is actually more cost-effective o hire locally, is when you move somebody, you move their salary. So hiring local is actually a way if you want -- because if you pay somebody $160,000 in Seattle and you move them to Denver, you're not going to lower their salary to 100. But if you hire somebody in Denver to do that same job, then you're going to pay them the hundred. And I think maybe thinking about how do you create the pipeline to actually fill the specific jobs that are being available is probably one of the most effective ways to source locally.

I love Denver as a potential. It's further east than people think. (Laughter)

MR. CAPPS: And I would add zoning. I mean, I think that any city that wins this bid has to immediately look at their zoning for housing and start making adjustments. Because the immediate effect of 50,000 jobs coming in, that's a lot of people moving here. There's a lot more people who follow from the knock-on jobs, and you have to put those people somewhere and you want to do so in a way that doesn't displace very large communities.

We've got time for a couple more questions. Ma'am, in the back.

SPEAKER: Hi. I actually know Elizabeth and so I'm curious whether the D.C. government consulted with you and other of your peers who are involved in the workforce development community as they developed the proposal or if you've had any indications that some sort of ongoing working groups or whatever around the economic development that you and your organization and others like you are a part of that conversation on an ongoing basis?

MS. LINDSEY: That's a great question. So, no, I did not talk to anyone. That's a great question. I did not talk to anyone in D.C. government about this specific proposal. But I think D.C. government is incredible in its work around tech inclusion, and so we have an amazing D.C. Office of the Chief Technology Officer that runs a whole digital inclusion initiative, and we're one of the training providers on that.

The Washington, D.C., Economic Partnership has done really great work. We've actually developed an on ramp from kind IT skills, intercoding skills, and partnership with Amazon web services and Washington, D.C., Economic Partnership, as well. So from my perspective, D.C. government is really invested in this. They even came out with a report called "Pathways to Inclusion" last year, which was around how do we make our tech sector inclusive? And I think that there's a real commitment to that here.

MR. McKENNA: If I could plug a great Baltimore called Catalyte. Do you know Catalyte?

MS. LINDSEY: I've heard of them, yeah.

MR. McKENNA: Yeah, they are a terrific model where they can go and find nontraditional people and then training them to be developers, not IT support, but actual developers. And then their model is to go and do kind of development outsourcing, but they're more of a staffing. They'll staff these people in the companies, so they'll find them unusual places, train them in like hardcore coding, not like IT support, and then the contract with the company is that then they'll work for that company and be responsible for their upgrading their skills and stuff like that. And that's happening just over in Baltimore, and I know they draw talent from the D.C. area. So that's a company everybody should take a look at, they're doing amazing work.

MR. McDEARMAN: To the Denver question, that will have to be done on steroids for whoever wins this, like really beyond what anybody's ever done before.

MR. McKENNA: Right.

MS. LINDSEY: Yeah.

MR. CAPPS: In the back, ma'am.

SPEAKER: Hi, I'm Joanna. I'm a reporter for Morning Consult. Can you talk me through how you think cities should take into account the less than desirable economic implications of a second headquarters and the things that Seattle is experiencing right now: disproportionate housing prices, rent prices, growing economic inequality. In 2015, there was a state of emergency declared on homelessness.

Amazon is not directly to blame for all of this, but definitely the presence of tech companies in Seattle has added to that. So how do you think officials of metro areas should take that information into account when deciding how to present their bid to Amazon?

MR. CAPPS: This is just housing prices prime. (Laughter)

MR. McDEARMAN: Yeah, better over here. It's a tough one. And I think even in places like Nashville's a good example, that didn't have one big company come in or take over the way that Seattle has. It's just got the same dynamics. San Diego's the same where housing costs have gone up and there's not really a clear answer.

I think what we learned was through this lab have a business case and a narrative for why you're doing what you're doing. It's not just kind of the moral imperative on including people, it's that there's a lot of people even in the middle who could be brought up into these jobs.

But I don't think they've figure out the housing and infrastructure and the transit and all these other issues, but they -- and I think they keep kind of skirting over it. It's why this problem is in every market that we're in. There's none that don't still have it.

So I think it takes -- I don't have all the answers, but I think the first thing we realized is that there needs to be an understanding of what's actually going on, that when you see a Seattle and a San Diego and a Nashville that look like they're going gangbusters and everybody's celebrating how successful their economies are, that there's some real problems associated with that for the bottom third to half of that economy and that it creates, also, problems in growth.

And overall, in general, I think ideally you'd have phased-in growth to be able to absorb these things and make investments. Amazon's going to be a challenge for the place it goes. It could be transformative and terrific, but I think they're going to have these challenges, as well.

MR. McKENNA: And also, you need a big poster that has the word NIMBY with a cross through it. (Laughter)

MR. McDEARMAN: Yes.

MS. LINDSEY: Yeah.

MR. McKENNA: Because I live in San Francisco and we have not been building the housing. Like we built all these office towers. See all those office towers? And then we don't build them buildings, we don't build the housing. And so it costs $200,000 per door handle to build housing in San Francisco. Two hundred thousand dollars. So why do we have million-dollar condos? Because if you're going to pay $200,000 for the handle -- because just like the land, everything's expensive because nobody wants it in their backyard. Like let's get ahead of that game and like designate spaces that can actually have affordable housing and put it on the roadmap before it's too late.

MR. McDEARMAN: That will have to happen on housing, on transit.

MR. McKENNA: That's the poster, NIMBY with a line across it.

MR. McDEARMAN: It's YIMBY, which is the new word.

MR. McKENNA: Yes, in my backyard.

MR. McDEARMAN: Yes, in my backyard, bring it on.

MR. McKENNA: Let's do it.

MR. CAPPS: To ask a final question, where do you think Amazon is going to build its second headquarters? (Laughter)

MS. LINDSEY: First question and last question.

MR. McDEARMAN: North America somewhere. (Laughter)

MR. CAPPS: Any guesses? Any places they should take a closer look?

MR. McDEARMAN: It's dangerous to pontificate. I think, you know, a colleague, Joe Perillo put together kind of a blog on the 20 that would fit and I think that's fundamentally the places just because you need critical mass. But I think some surprises are probably on the radar. Minneapolis could be a good fit and Atlanta could be a good fit. You know, there's a lot of different places of that size that's kind of second tier, not New York/San Francisco size that could be a good fit because I think it fits their values. Minneapolis, for example, is a headquarters town. It's a good quality of life place.

But there's 20 of those probably that could be under consideration that could be a good fit for this. So I think it's a big dangerous to actually pick any one of those, but I could see there's definitely a smaller crew than the 139 that are applying. But somewhere in that 20 I think could put together very reasonable bid for this.

MR. McKENNA: I'll offer two options. One is the obvious. I actually do think Denver probably has one of the strongest positions for south-of-the-Canadian-border North America.

And my dark horse is Baltimore. Baltimore's a place I've spent a lot of time, invest in several companies. I co-founded a company there that we're currently operating. And so I see that there's a lot going on in Baltimore that people -- actually if you look closer, you might actually see a different story than you think.

And if they take a look down, they're going to see what Under Armor's done. Like Under Armor, out of nowhere, created all these jobs, very technical, doing global brand distribution, retail. And so they have a story to tell. And I wasn't part of their bid process, but they have a story to tell of how something went from zero to global company with very similar skillsets that Amazon would need. And, frankly, our office is in Fells Point. We can look across and see Under Armor. And we see that big space that Kevin Plank has kind of designated as development, nice place to already put some of the new infrastructure and it also gives you access on the Acela corridor to high talent and it's actually quite affordable relative to the other counties that are around here.

So Baltimore, dark horse. I know it's a long shot, but this is a friendly crowd, right, for the Mid-Atlantic.

MS. LINDSEY: I mean, of course, I'm going to root for Washington, D.C. Byte

Back would be a great training partner. I think this is a great area.

But my hometown is Rochester, New York, and Amy mentioned them yesterday. And part of me would really love to see a city like Rochester with really intense needs get this opportunity.

MR. CAPPS: Well, thank you so much for coming today. Oh, mine? I think it'll be Pittsburgh. (Laughter) Thank you for coming. It was a real pleasure. (Applause)

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