

In pursuit of new Austin campus, Apple took the un-Amazon path

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Fifteen months ago, online retailer Amazon set off the biggest economic development competition in U.S. history, igniting a media firestorm when it opened public bidding for its \$5 billion second headquarters project, dubbed HQ2. Amazon invited every North American city to submit a proposal, and in January the company—in almost reality TV-style fashion—chopped the list of contenders to 20 finalists.

Four months after Amazon kicked off the HQ2 bidding war, executives at Apple Inc. started the process of picking a site for a new major corporate campus. But they approached it much differently.

Instead of the frenzy Amazon had set off, Apple simply wrote in a blog that it would create 20,000 jobs over the next five years, including at a new corporate branch, before quietly moving into its selection process and saying little else about its intentions until this week.

Apple revealed Thursday that it will build a \$1 billion hub in North Austin that will initially employ 5,000 people but could eventually house up to 15,000 workers. While the campus will be smaller than Amazon's HQ2, it will still be Apple's biggest corporate location outside of its headquarters in Cupertino, California.

Apple, which already employs about 7,000 people in Austin, is in line to receive \$25 million from the Texas Enterprise Fund, along with millions worth in tax abatements from Williamson County. As was the case with the metro area's pitch for Amazon's HQ2, the city of Austin did not

offer any [financial incentives](#) to Apple.

Despite the stunningly different ways the two corporate giants approached their deal-making and site [selection process](#), both sets of tactics worked for each company in the end.

'Once in a generation'

Amazon certainly landed a bigger deal—it could receive close to \$3 billion in combined financial incentives for its New York and Virginia-based pieces of HQ2—but Apple avoided the public backlash Amazon got.

"What Amazon did was once in a generation," said Patrick Moorhead, a technology analyst based in Austin. "Apple did it like typical companies that are building big properties."

While cities initially rolled out the welcome mat for Amazon, things changed as the competition moved forward.

Residents and city leaders throughout the U.S. began to question HQ2's potential impact on housing affordability and traffic, as well as the taxpayer-funded financial incentives cities and states were offering the company.

National polls indicated residents in Austin and elsewhere were not supportive of the facility. Elected officials, such as Austin Council member Leslie Pool, bashed the HQ2 project in multiple news media publications, saying that even Austin City Council members were left in the dark about the city's negotiations.

Although Amazon's strategy helped it collect troves of data from the 238 cities that bid and generated immense buzz, there were also unintended

consequences, said Tom Stringer, a site selection expert at business advising firm BDO.

"The strategy says something about how the company tries to present itself," Stringer said. "But when you conduct something in public, you will be open to whichever way the wind blows."

That's why businesses typically choose the route Apple did, said Nathan Jensen, a government professor at the University of Texas who has researched business-government relations.

'A real outlier'

Scrutiny is impossible to avoid in large economic development deals, Jensen said. When Apple announced its new Austin campus, some residents quickly took to social media to complain about its expected impact on traffic.

But the noise paled in comparison to the resentment directed at the HQ2 project. Apple ultimately gained what it wanted in a less splashy and painful manner.

The success of the Apple deal, Jensen said, suggests Amazon's "Hunger Games"-style sweepstakes is not likely to be repeated by even the largest tech companies—not just because of the resistance but because no other business looks like Amazon and can trigger such a competition.

It stood to benefit more than the typical company from the amount of data it received as part of its site competition, Jensen said. And with a more than \$800 billion market value, it's powerful enough to withstand the heat it has faced.

"I would have said at the beginning of this process that Apple and

Amazon weren't that different. Both wanted incentives and both went bare knuckle to get as many taxes as possible," Jensen said. "But the process ended up being so different. Apple used the standard approach while Amazon took the more high-risk strategy, and the backlash mounted.

"Amazon was a real outlier."

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