



TOP TEN DEALS OF 2007

Amazon.com's headquarters expansion will create 3,000 new jobs in the South Lake Union District at the heart of Seattle's waterfront.

Photo courtesy of Vulcan

# Staying Power

The best economic development deals of the year aim to create sustainable advantage for all concerned.

**C**ombing through a year's worth of top-notch facility projects brought to fruition by top-shelf teams of corporate, economic development and service professionals, *Site Selection* presents its Top Deals of 2007 in North America and abroad.

This year's Top Deals coverage salutes the best corporate projects in the world in terms of investment, high-value jobs, creativity in negotiations and incentives, regional economic impact, competition and speed to market.

On the hunt for a trend? Here are a few that arose in our due diligence: alternative energy; industrial site reuse or redevelopment; emerging markets (see p. 343) and a predilection for announcing a site search before a final site has been chosen. Patience was another hot commodity for corporations and for the economic developers courting them, as the latter often assembled large sites and/or shepherded special legislation over a period of many years. Hot sectors for mega-projects with mega-influence

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include transportation equipment, electronics and life sciences. Internationally, India and the Philippines are primary in corporate sights, especially when it comes to massive job creation.

Without further ado, here are the winners, presented in alphabetical order.

## North American Top Deals of 2007

**Amazon.com**  
Seattle, Washington  
**\$1.5 billion 3,000 jobs**

**T**his corporate headquarters move to Seattle's much-praised South Lake Union District involves a host of 14- to 16-year leases and the construction of 11 new buildings — all aiming for LEED certification — that will contain up to 1.6 million sq. ft. (149,000 sq. m.) of space for the online retailer when full occupancy is attained in 2011. The

company cited public transportation access as an important factor, as it will be adding 3,000 jobs to the 4,000 it already has created in its hometown.

To be developed by the real estate division of Vulcan Inc., a Paul Allen company, the campus will feature a new Seattle Streetcar line, which connects riders to the bus tunnel and light rail. Crucial to the deal were new regulations approved by the Seattle City Council in December 2007 that allow for increased building heights, among other measures. Also important to the deal was a provision for Vulcan to invest in affordable housing. Consolidation is part and parcel to the deal too, as the campus will replace five scattered buildings connected by bus routes.

"We think we'll see other smart companies coming into the neighborhood," Seattle Director of Economic Development Susan Shannon told SiteNet Dispatch Executive Online Editor Jack Lyne. "Smart companies like to be close to other smart companies."



# Amazonian: Huge New HQ, 3,000 More Employees

**Talk about grouping your order for shipping: Amazon has double-clicked on 1.64 million sq. ft. (147,600 sq. m.) of headquarters space in 11 new buildings for 7,000 employees — 3,000 of them new hires.**

**G**et Big Fast.” Amazon will relocate its consolidated headquarters in Seattle’s revitalized South Lake Union neighborhood (pictured above right).

That was the ambitious slogan that a fledgling Amazon.com emblazoned on its employee T-shirts in the mid-1990s, as the dot-com era dawned. But the neophyte’s growth goal seemed an unlikely long shot back then. After all, this was a company headquartered in a ramshackle office inside a long-

in-the-tooth warehouse (see accompanying “Amazon’s Irregular Real Estate Ways”).

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But Amazon, of course, had other ideas. It grew up and grew big in Washington, becoming the world’s largest online retailer.

Now it’s the company’s Seattle headquarters that’s getting bigger. A lot bigger, with a scope that rivals the huge river that inspired Amazon’s name. The company’s new complex will span as much as 1.64 million sq. ft. (147,600 sq. m.) of space in 11 new buildings, covering six entire blocks in the booming South Lake Union neighborhood.

That spacious headquarters in central Seattle will enable Amazon to bring together its 4,000 local workers. Those employees are currently scattered about in five separate facilities around town, linked by buses continually shuttling between

**amazon.com**

the buildings.

Moreover, the new campus will also provide space for a major expansion. Fast-growing Amazon is projecting that it will add 3,000 new employees at the South Lake Union site, Seattle Director of Economic Development Susan Shannon tells the SiteNet Dispatch.

"We're retaining and growing an incredible number of jobs," she says. "To be able to find a new location where they can house and grow their business is not easy to do in a densely built environment like Seattle. But we were able to do that primarily because we have this wonderful area, South Lake Union."

## Extra Floors Essential

Amazon's headquarters move to the resurgent South Lake Union neighborhood is closely linked to Vulcan Real Estate's local development. Owned by Microsoft co-founder Paul Allen, Seattle-based Vulcan has been a central player in turning South Lake Union into a high-tech and bio-tech hub. Vulcan,

in fact, is building the 11 facilities that will house Amazon's operations.

The company will likely lease the entire complex from Vulcan, with initial terms ranging between 14 and 16 years. Amazon has committed to a 16-year lease for at least 800,000 sq. ft. (72,000 sq. m.) of the space, with an option to lease the rest. If the online giant doesn't take the entire bloc, Amazon would have to pay a US\$40-million termination fee, according to the company's

**Amazon doesn't want a one-size-fits-all campus, instead favoring a variety of designs, as these renderings illustrate.**

*Renderings: Vulcan Real Estate*



December filing with the federal Securities and Exchange Commission.

Amazon, though, clearly seems intent on moving into all 11 buildings. That thinking was underscored by the company's insistence on getting authorization for taller buildings before committing to a new headquarters. The land-use code for South Lake Union limits building heights to six stories. Amazon, though, wanted additional floors and the more cost-efficient housing they would provide.

On Dec. 17th it got it, as the Seattle City Council approved a change that allows Vulcan to build as many as three 12-story buildings standing as tall as 160 feet (48.5 meters). Four days later, Amazon went public with its headquarters plans.

Seattle officials also backed the taller structures, which,

they say, bolster the city's growth strategy.

"The added stories will provide a nice skyline," says Shannon. "More importantly, though, it will reduce the footprint by almost two lots for Amazon to build the square footage that it needs."

"So that, in turn, allows that property to be freed up for housing, retail, parks or other uses," she continues.

"That's very important in our community, where we're trying to use density as a tool to reduce our need for transportation and cars."

Amazon would pay \$1.5 billion for the leases if it occupies all 11 buildings, the SEC filing specifies.

In a development that augurs well for expansion, the new headquarters announcement comes as the company is on a bullish run. Amazon's net sales for 2007 of \$14.84 billion marked a 39-percent uptick, while last year's operating income of \$655 million signaled a 69-percent increase.



**Vulcan owner Paul Allen**

## Transportation Connections

Amazon's new headquarters site also fits the company's requirements for transportation access.

Yes, the big central campus will allow Amazon to at last scrap its ever-running shuttle buses.

More importantly, though, the South Lake Union site provides commuting options for company employees.

"Proximity to public transportation was an important factor in Amazon's decision to move," Vulcan Vice President of Real Estate Ada Healey explains in an e-mail interview. "The company's headquarters complex in South Lake Union will be on the new Seattle Streetcar line, which also connects riders to the bus tunnel and light rail."

The 1.3-mile (2.1-km.) South Lake Union Streetcar line began operations late last year. Running every 15 minutes, the line will carry a projected 330,000 people a year.

"Amazon's headquarters choice plays into what people want in a livable community," Shannon notes. "They do not want to spend their time in cars."

"The creative class wants an environment that has their work, living and play space all close together," she continues. "South Lake Union is a perfect spot for that. You can walk or bike to work and go out shopping and then go kayak on the lake."



**Vulcan Vice President of Real Estate Ada Healey**

*Photo: Vulcan Real Estate*

South Lake Union's mass-transit links also tie in with Amazon's public pledge to reduce the number of single-occupancy vehicles coming into the neighborhood. The company hasn't yet released the particulars of its traffic-cutting plans. But subsidization of employee use of mass transit will likely be one of the strategies, Seattle officials say. Other probable options

include bike storage rooms and showers, plus employee use of "flex cars." Seattle-founded FlexCar provides widely dispersed autos that people can use for about \$10 an hour.

### The Housing Factor

Neighborhood housing, too, will be a major element in limiting South Lake Union's auto traffic. At the moment, the neighborhood has a lot of places to live - and many of them aren't high-ticket space.

"South Lake Union has the most affordable housing of any of our neighborhoods," Shannon explains. "And in 2007, 22,000 new units were added there."

"Nearly 40 percent of the residential units in South Lake Union are affordable to those earning 80 percent of median income," adds Karin Zaugg Black, communications director for the Seattle Office of Economic Development. "There's a very conscious effort in Seattle to make sure we got a mix of housing. Mayor [Greg] Nickels is very passionate about wanting to have work-force housing throughout the city."

The City Council secured additional financial backing for Seattle's housing strategy in the tradeoff with Vulcan allowing the three 12-story buildings. The developer has pledged \$6.4 million for affordable housing as part of its Amazon headquarters plan.

Vulcan is aware as well of housing's importance in South Lake Union's development. And the developer has a lot riding on the outcome. Vulcan owns 60 acres (24 hectares) in South Lake Union - about a third of all of the privately held land in the neighborhood.

"Working with Amazon, we have developed a state-of-the-art new headquarters that will not only meet their long-term business needs, but also benefits the entire neighborhood as a whole," says Healey. "South Lake Union continues to attract pioneering companies because it's a sustainable, thriving urban area that has diversity of housing, public-transit proximity and 24-7 amenities."

Vulcan has already built 1.7 million sq. ft. (153,000 sq. m.) in South Lake Union. And before the Amazon announcement, the company had another 1 million sq. ft. (90,000 sq. m.) under construction.

The huge expanse added with Amazon's headquarters will be environmentally friendly, says the online retailer. The complex will be designed to attain either gold or silver LEED (Leadership in Energy and Environmental Design) certification from the U.S. Green Building Council, Vulcan officials



**A Streetcar Named South Lake Union:** Mayor Greg Nickels (pictured below) last year opened the new South Lake Union Streetcar line that will run to Amazon's headquarters.



report.

"Green buildings are part of the culture here in Seattle," Shannon notes. "We have the highest number of green buildings of any U.S. city, according to the U.S. Green Building Council. It goes back and forth for the top spot between Seattle and Portland (Ore.), almost on a day-to-day basis."

Site work has begun on the first phase of Amazon's headquarters campus. The company expects to begin moving into the new space in mid-2010, with full occupancy in 2011.

### A Neighborhood in Rapid Transit

The arrival of Amazon's commodious headquarters will mark a new high-water point in South Lake Union's striking rebirth. The neighborhood was once a thriving industrial hub. As the 20th century neared its end, though, that heyday had long since passed.

"South Lake Union was underdeveloped then," Black recounts. "There were a lot of one-story and two-story buildings, a large number of parking lots, and commercial laundry and printing operations. Neighborhood space was not used as effectively as it could have been. South Lake Union was kind of isolated."

That began to change this decade, when Mayor Nickels and the city began to aggressively promote the area. Once Vulcan began major development, momentum began to build.

South Lake Union's revitalization is evident in the high-profile operations that dot the landscape today. That cluster includes Microsoft; outdoor apparel retailer REI; The Fred Hutchinson Cancer Research Center; clothier Tommy Bahama; biotech concern ZymoGenetics; and the University of Washington's biomedical research operation. More big names are on the way, with incoming operations including the new headquarters of The Bill & Melinda Gates Foundation and a new 1.5-million-sq.-ft. (135,000-sq.-m.) research complex for the Seattle Children's Hospital and Regional Medical Center.

Amazon's headquarters will likely kick things up another notch. With the online titan's new base, South Lake Union will have a corporate anchor of unprecedented size.

"With that many employees coming in, we expect considerable additional development in restaurants, retail and living space," Shannon says.

"And we think we'll see other smart companies coming into the neighborhood," she adds. "Smart companies like to be close to other smart companies."



**Two of the major operations already in South Lake Union:** the University of Washington's biomedical research operation (below) and the Fred Hutchinson Cancer Research Center.

Photos: Discover South Lake Union

