

Apple to build new Austin hub, expand in other tech hotbeds

13 December 2018, by Michael Liedtke, Matt O'brien And Will Weissert



Apple employee Daniel Trevino poses for a photo with Deirdre O'Brien, Apple's Vice President of People, after an announcement about Apple's new campus in Austin, Texas, Thursday, Dec, 13, 2018. Apple plans to build a \$1 billion campus in Austin, that will create at least 5,000 jobs ranging from engineers to call-center agents while adding more luster to a Southwestern city that has already become a bustling tech hub. The decision, announced Thursday, comes 11 months after Apple CEO Tim Cook disclosed plans to open a major office outside California on the heels of a massive tax break passed by Congress last year. (Ricardo Brazziell/Austin American-Statesman via AP)

Apple plans to build a \$1 billion campus in Austin, Texas, that will create at least 5,000 jobs ranging from engineers to call-center agents while adding more luster to a Southwestern city that has already become a bustling tech hub.

The decision, announced Thursday, comes 11 months after Apple CEO Tim Cook disclosed plans to open a major office outside California on the heels of a massive tax cut on overseas profits, which prompted the company to bring about \$250 billion back to the U.S.

The company said it will also open offices in

Seattle, San Diego and Culver City, California, each employing at least 1,000 workers over the next three years. Apple also pledged to add hundreds of jobs each in New York; Pittsburgh; Boston; Boulder, Colorado; and Portland, Oregon.

"They are just picking America's most established superstar cities and tech hubs," said Richard Florida, an urban development expert at the University of Toronto.

Apple's scattershot expansion reflects the increasing competition for engineers in Silicon Valley, which has long been the world's high-tech capital. The bidding for programmers is driving salaries higher, which in turn is catapulting the average prices of homes in many parts of the San Francisco Bay Area above \$1 million. Many high-tech workers are thus choosing to live elsewhere, causing major tech employers such as Apple, Amazon and Google to look in new places for the employees they need to pursue their future ambitions.



Texas Gov. Greg Abbott speaks about Apple's new campus announcement as Apple employees listen in Austin, Texas, Thursday, Dec, 13, 2018. Apple plans to build a \$1 billion campus in Austin, that will create at least 5,000 jobs ranging from engineers to call-center

agents while adding more luster to a Southwestern city that has already become a bustling tech hub. The decision, announced Thursday, comes 11 months after Apple CEO Tim Cook disclosed plans to open a major office outside California on the heels of a massive tax break passed by Congress last year. (Ricardo Braziell/Austin American-Statesman via AP)

"Talent, creativity and tomorrow's breakthrough ideas aren't limited by region or ZIP code," Cook said in a statement.

Cities around the country offered financial incentives in an attempt to land Apple's new campus, but Cook avoided a high-profile competition that pitted them against one another, as Amazon had before deciding to build huge new offices in New York and Virginia.

Amazon could receive up to \$2.8 billion in incentives in New York, depending on how many it ultimately hires there, and up to \$750 million in Virginia. Apple will receive up to \$25 million from a jobs-creation fund in Texas in addition to property-tax rebates, which still need approval. The figure is expected to be a small fraction of what Amazon received.

The government incentives offered to Apple seem "more in the line of normal business site selection" compared with Amazon's public "shakedown," said Mark Muro, a senior fellow at the Brookings Institution's Metropolitan Policy Center.

"There's a growing backlash in the country against the entire process of subsidies and relocation inducements," Muro said. "That said, the Apple numbers for a very significant increase in jobs are much less eye-popping than the Amazon numbers."



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The spots where Amazon and Apple decided to expand were obvious choices, based on an analysis released earlier this year by CBRE Research. Washington, D.C., ranked as the third best place in North America for tech talent, behind Silicon Valley and Seattle. New York ranked fifth and Austin sixth. No. 4 was outside the U.S.: Toronto.

The new Austin campus, with about 3 million square feet (nearly 280,000 square meters) of office space, will be about a mile from another large office that Apple opened five years ago. Apple currently employs about 6,200 workers in Austin, making it the company's largest hub outside Silicon Valley even before the expansion.

The new jobs are expected to mirror the same mix Apple already has at its Cupertino, California, headquarters, ranging from jobs in technology and research that pay well over \$100,000 to lower-

paying positions in customer call centers. Austin Chamber of Commerce Board Chairman Phil Wilson described jobs that Apple will be adding as "mid-skill" and "good-paying."

(Ricardo Brazziell/Austin American-Statesman via AP)

Virtually all of the jobs in Seattle and San Diego will be in technology—a field where six-figure paychecks plus stock options are standard. The jobs in Culver City, about eight miles from Hollywood, will also be in digital music and video, two areas Apple is expanding in to boost its subscription entertainment offerings.

Where U.S. companies open new facilities or plants has had the potential for public and political backlash.

That potential intensified under the Trump administration, which has pushed companies to keep more of their operations in the U.S.

While much of the \$250 billion overseas profits has been earmarked for buying back company stock and paying higher shareholder dividends, Apple pledged in January to finance more than \$30 billion in capital expenditures in the U.S. over the next five years. It also committed to creating more than 20,000 more U.S. jobs during that same time frame. After adding 6,000 jobs, Apple said it now has 90,000 U.S. workers and is on track to fulfill its expansion pledge on schedule.

While Cook has steered mostly clear of President Donald Trump's ire, Apple received some pushback three months ago. Apple sent a letter to the U.S. trade representative warning that the burgeoning trade war with China and rising tariffs could force higher prices for U.S. consumers. Trump in a tweet told Apple to start making its products in the U.S., and not China. Apple uses plants in China and elsewhere to produce components and assemble its products.

Cities have been eager to bring in more tech employers because their hires often make six-figure salaries. That can ripple through the economy, with new employees filling restaurants and theaters, buying property and paying taxes.

But an influx of affluent tech workers can also drive up rent and home prices, making it more difficult for those in lower-paying jobs to make ends meet.



Deirdre O'Brien, Apple's Vice President of People, speaks during an event about Apple's new campus announcement in Austin, Texas, Thursday, Dec, 13, 2018. Apple plans to build a \$1 billion campus in Austin, that will create at least 5,000 jobs ranging from engineers to call-center agents while adding more luster to a Southwestern city that has already become a bustling tech hub. The decision, announced Thursday, comes 11 months after Apple CEO Tim Cook disclosed plans to open a major office outside California on the heels of a massive tax break passed by Congress last year.



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"When tech companies invest in a place and try to hire thousands of workers, it is of course good news for tech workers who are already there and want to be there," said Jed Kolko, chief economist for employment website Indeed.com. "But it can put a strain on the housing market and transportation."

Austin might not feel the stress as much as some other places, Kolko said, because it already has been building more housing in anticipation of more tech employment.

Austin's tech industries accounted for nearly 140,000 local jobs, or 14 percent of Austin's total employment, about twice the national average, according to the city's chamber of commerce.

Apple opened its first office in Austin a quarter century ago, and Dell's headquarters are in nearby Round Rock. Google, Facebook and IBM are among the other notable tech companies with satellite offices in Austin.

Austin landed another coup in July when the U.S. Army announced plans for a "Futures Command" center to train soldiers and develop technology to combat threats from places like China and Russia.

Texas Gov. Greg Abbott hailed Apple's new campus as a milestone development that "truly elevates Austin as one of the premier technology hubs in the entire world."

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Texas Gov. Greg Abbott, center, speaks with Austin Mayor Steve Adler during an event about Apple's new campus announcement in Austin, Texas, Thursday, Dec, 13, 2018. Apple plans to build a \$1 billion campus in Austin, that will create at least 5,000 jobs ranging from engineers to call-center agents while adding more luster to a Southwestern city that has already become a

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In this May 31, 2018, file photo, customers enter the Apple store, in New York. Apple will build a \$1 billion campus in Austin, Texas, break ground on smaller locations in Seattle, San Diego and Culver City, California, and over the next three years will expand in Pittsburgh, New York and Colorado. (AP Photo/Mark Lennihan, File)



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In this Aug. 8, 2017, file photo, the Apple logo is shown at a store in Miami Beach, Fla. Apple released a statement early Thursday, Dec. 13, 2018, saying it plans to build a \$1 billion campus in Austin, Texas. The company's statement says its plans also include establishing locations in Seattle, San Diego and Culver City, California, with more than 1,000 employees at each. (AP Photo/Alan Diaz, File)

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