

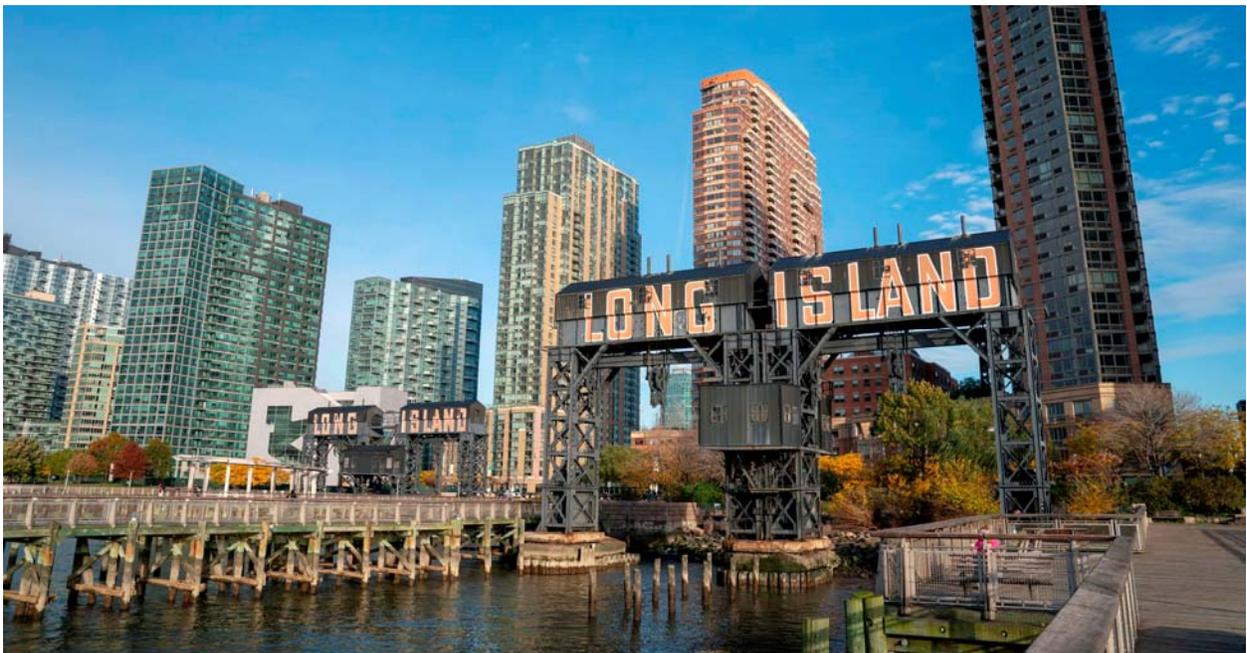
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## Hope Springs Eternal for Georgia with Amazon Scrapping NYC Plans

February 15, 2019 Jarred Schenke, Bisnow

New York's loss may be Atlanta's gain. Or Nashville's, Northern Virginia's or Dallas'.



*The Gantry Plaza in Long Island City, Queens.*

With Amazon's stunning Valentine's Day announcement that it has nixed New York's Long Island City as the choice for half of its second headquarters, many of the cities where the online giant already has a presence may be the beneficiary of additional jobs.

"I think that the message to these 17 [HQ2 finalist] cities now, excluding the Big Apple and Virginia ... [is they are] in the mix for these 25- to 40,000 additional jobs, many of which will be in multimedia and healthcare IT," said John Boyd, the founder of The Boyd Co., a corporate site selection search firm. "Clearly [those are] strong suits that Atlanta puts forth."

Amazon announced it was scrapping plans to locate in Queens after facing weeks of mounting opposition against the \$3B in tax incentives cobbled together by the city and state in exchange for 25,000 high-paying jobs.

Amazon is still planning to bring a new headquarters project to Northern Virginia, where the state has already passed bills to approve its billion-dollar tax incentive package. After a months-long beauty pageant, whittled down to 20 finalist regions in North America including Atlanta, Amazon made its stunning announcement that it would split HQ2 between New York and Northern Virginia. Nashville was awarded a 5,000-job hub at the same time.

The decision was derided by many who saw the search process as little more than a cynical contest that was “rigged from the beginning.” In the wake of its New York pullout, Amazon has vowed not to revive the HQ2 race with the other former finalist cities.

“We will proceed as planned in Northern Virginia and Nashville, and we will continue to hire and grow across our 17 corporate offices and tech hubs in the U.S. and Canada,” Amazon officials wrote in a press release.



*Amazon CEO Jeff Bezos and Carlyle Group CEO David Rubenstein*

By forgoing another HQ2 search, Amazon appears to be taking a quiet route for growth, CCIM Institute Chief Economist KC Conway said. "I think Amazon is going to follow more the Google model," Conway said.

Google has been growing by leaps and bounds in New York, but without the fanfare of a "Hunger Games"-like competitive search. In doing so, it has successfully avoided the scrutiny of its impact.

"I think Amazon was finding what we pointed out: the [size of the] workforce isn't there, and you are going to have to pilfer from other companies," Conway said. "You're going to cause huge wage inflation in technical and skilled workforces, and you're not experiencing that in other parts of the country."

Atlanta is not a city known for its miracle comebacks, but some Georgia officials are hoping that, perhaps, the metro area may be in line for some of those high-paying jobs now.

"Atlanta was on the dance floor before, and the party just started again," said one commercial real estate pro who wished to remain anonymous.

Amazon is no stranger to Atlanta, of course. More than 4,000 Georgians already are employed by Amazon, Georgia Department of Economic Development Chief Operating Officer Bert Brantley wrote in an email to Bisnow.

"Georgia has had a fantastic working relationship with Amazon for many years," Brantley said. He declined to say if the state was in talks for any new projects with Amazon.

State legislators were silent on whether they would pursue Amazon again, The Atlanta Journal-Constitution reports, with some sources telling the paper that the last HQ2 race pressured state officials to quash controversial legislation in fear of chasing Amazon away.

The state and Atlanta cobbled together an incentive package that could have surpassed \$2B and offered up some eye-opening giveaways, such as a \$1.3B megaproject tax credit, \$100M in tax credits toward the development of a headquarters campus and an independent higher education program that would have offered "Mini Masters" to Amazon employees to expand skill sets in areas like cybersecurity, supply chain logistics and computer science.

Subsidies were secondary to what Amazon was really after by going to New York. It was all about talent, said George Mason University Mercatus Center economist and research fellow Michael Farren, who specializes in the study of incentives and their effects on business and government.

"This decision [to locate in Long Island City] all along was about tech talent and not subsidies," Farren said.

It was why Amazon decided to split HQ2 into two to begin with. No one city — even one as large and iconic as New York — could really handle all of the retailer's hiring goals.

“If they had just gone to one particular place, they would have been over-tapping the local supply of professionals,” Farren said.

Since Amazon's initial decision, a populist backlash against incentives to deep-pocketed corporations has been on the rise. Democratic members of the City Council and New York State Senate had openly panned the deal, which included Amazon taking advantage of by-right tax incentives based on job creation, as well as discretionary benefits negotiated by Gov. Andrew Cuomo and Mayor Bill de Blasio.

After Amazon's announcement, City Council President Corey Johnson — who had accused Amazon of "vulture capitalism" at the most recent City Council hearing — released a statement that signaled he would continue to be an opponent of large tax breaks for corporations moving to New York. Johnson is running for mayor in 2021. Chris Thornberg, Beacon Economics Courtesy of Beacon Economics Beacon Economics founding partner Christopher Thornberg

“Makes sense to me why people in New York City were so upset,” Beacon Economics founding partner Christopher Thornberg said. "Using taxpayer money to pay the world's richest man to come and drive up the cost of local real estate is at best silly, and at worst complete corruption."

It was this backlash that ultimately chased Amazon away. And not so much because the incentives were being drawn into question, but because it echoed the troubles Amazon has been facing in its birth city, Farren said.

“Amazon was looking for places where it would not experience the kind of social and political pushback like it was experiencing in Seattle,” Farren said. "What was happening in New York was probably like déjà vu to them all over again."

Amazon also proved that local leaders and local politics have a tremendous influence on economic development decisions beyond state leaders, Conway said.

“You're giving \$3B away and the local folks who were most affected by that said, 'Wait a minute. Where's our share of this \$3B? Where are you going to fix the problems that you're going to exacerbate?' I think Amazon tremendously underestimated that,” he said. “That's a big wake-up call lesson for companies doing site selection: to not assume that the highest-level people you're working with in the state ... have worked with the local leaders.”

Atlanta is not immune to that pushback. As the nation waited with bated breath for Amazon's initial HQ2 decision, Atlanta Mayor Keisha Lance Bottoms pushed through the city's largest tax abatement and incentive package in its history for a private developer, Los Angeles-based CIM Group. The incentives were to help CIM redevelop a sea of asphalt known as the Gulch in Downtown Atlanta into an enormous mixed-use project.

While it was never explicitly stated, this arrangement was being encouraged under the mindset that, perhaps, Amazon would choose Atlanta for HQ2, with the Gulch being ground zero for a new campus.

What city officials perhaps did not account for was a public lashing to the ultimately approved incentive package. Opponents came out in force against the \$1.9B incentive package during City Council meetings, expressing concerns about further gentrification of the city and crying foul at the enormous tax breaks handed out to a developer.

Despite its approval, many opponents remain firmly against the package.

Boyd said that Amazon's experience in New York and the overall pushback against incentives will make it walk on eggshells in the future.

“This exercise in Queens, the epicenter of the nation's ultra-progressive movement, perhaps will make them more sensitive to those concerns moving forward and giving more momentum to this idea of spreading out to multiple markets,” Boyd said.

Who ultimately benefits from Amazon remains to be seen. But in the end, Amazon's decision to scrap New York will have a broad impact on the rest of the nation.

“I think probably Northern Virginia ends up winning the most,” Farren said. “But I think all the cities that gain Amazon jobs as a result will be the winners out of this.”

Conway also sees North Carolina as a big beneficiary of the Amazon decision. The state is home to a growing tech skills base, and Raleigh — one of the original finalists — is relatively close to Washington, D.C.