

# THE BOND BUYER

## Amazon falls out of the New York groove

By Paul Burton - February 14, 2019

Amazon Inc. said Thursday it would cancel plans to build a secondary headquarters in New York's Queens borough, after opposition mounted to the campus in the Long Island City neighborhood and the incentives offered to lure it.

Gov. Andrew Cuomo and Mayor Bill de Blasio had pledged nearly \$3 billion in incentives to attract the retail behemoth.



*A Jan. 30 protest at New York City Hall against Amazon's Long Island City plans. The corporation on Thursday abandoned plans for a secondary headquarters in New York. Bloomberg News*

De Blasio responded to Thursday's news with vitriol. "You have to be tough to make it in New York City," he said. "We gave Amazon the opportunity to be a good neighbor and do business in

the greatest city in the world. Instead of working with the community, Amazon threw away that opportunity."

Seattle-based Amazon announced in November, after entertaining bids from cities nationwide, that it would place roughly 25,000 employees each in Long Island City in New York's Queens borough, and Arlington's Crystal City in Northern Virginia. It also plans to add an operations center in Nashville. The company had pledged more than \$5 billion in investment for up to 17 years.

Virginia said it would provide Amazon with \$573 million of similar job creation incentives over 12 years, and has pledged \$195 million of transportation infrastructure improvements nearby. Tennessee has pledged \$102 million of job incentives over seven years.

Amazon's "sweepstakes" prompted widespread debate over the role and size of municipal and state incentives, and of infrastructure, notably housing and transportation.

Moody's Investors Service cited the costs for "winning" in a November report,

"The winning localities will likely need to upgrade infrastructure, expand transportation and improve school facilities, potentially with a hefty debt issuance attached," Moody's said. Additionally, state tax incentives and benefits to the company could eventually outweigh revenue benefits, particularly if Amazon falls short on promises or if the company and public officials overestimate the multiplier effect.

Thursday's decision is a setback for New York, said Nick Samuels, a vice president at Moody's.

"Amazon's decision to withdraw its New York City HQ2 is a setback for the city that illustrates politics and anti-business sentiment can derail economic development despite competitive strengths," he said. "New York City clearly possesses the educated workforce and mass transit advantages Amazon wanted, although the company's investment would have accelerated growth in those sectors. High tech employment will grow more slowly without Amazon's expected 25,000 new jobs, but the city's economic fundamentals remain positioned to grow strongly in the future."

New York State had promised Amazon \$1.5 billion over 10 years if the company meets certain job creation and wage thresholds. Other incentives were not quantified.

"Weeks and weeks of backlash about incentives and gentrification just proved to be too much," John Boyd Jr., a principal at Princeton, New Jersey, corporate site selection firm Boyd Co., said in an interview. "New York is a bigger stage and everything gets magnified. You saw that here."

Although the company said Thursday it has no plans for a replacement and will designate Crystal City as its only location for the so-called HQ2, Boyd said Newark, New Jersey's largest city and a

top-20 finalist to land Amazon, could still get some activity as the company looks to funnel jobs to secondary metropolitan areas.



*The Long Island City location that was to have housed a secondary headquarters for Amazon. Bloomberg News*

"This is a great day for Newark, quite frankly," Boyd said. "They have the transportation assets and the labor market, and they also have net neutrality, which startups like."

Cuomo had intended for the project to go through the Empire State Development Corp., which he controls. That would have sidestepped a zoning vote on the New York City Council, some of whose members have questioned the incentive package and Amazon's effect on the city's housing stock and transit infrastructure.

The controversy also resonated in Washington, where new U.S. Rep. Alexandria Ocasio-Cortez, D-N.Y., a Bronx native, led the outcry against Amazon.

"I look forward to working with companies that understand that if you're willing to engage with New Yorkers and work through challenging issues New York City is the world's best place to do business," council Speaker Corey Johnson said in a statement. "I hope this is the start of a conversation about vulture capitalism and where our tax dollars are best spent. I know I'd choose mass transit over helipads any day."

According to Boyd, the controversy underscores the need for better community relations. "Lawmakers and companies need to really sell these projects to the people," he said.