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GE, Amazon HQ shifts could increase the scrutiny for public incentives



GE has ditched its plan to build a shiny, 12-story tower along Fort Point Channel.



By Jon Chesto Globe Staff - February 15, 2019

The high-stakes Corporate Incentive Game just became tougher to play.

Two of the most prominent headquarters deals of this century took major turns Thursday, twists that will influence the ways in which many state and city leaders handle public incentives for years to come.

First, the New York headline: Amazon bailed on its HQ2 plans for Queens amid an uproar over a roughly \$3 billion package promised by state and city officials. The Seattle-based retail giant will

go ahead with the other half of HQ2 in the D.C. area, put more jobs in Nashville, and expand other outposts. (Boston is among the cities that could be poised to land more Amazon jobs.)

Then, the Boston bombshell: General Electric made public its decision to sell its future headquarters property in Fort Point, and scale back its plans for the site. Instead of 800 jobs, there will be around 250. No shiny, 12-story waterfront tower — at least not for GE. Instead, we get a more modest headquarters on the Channel: The industrial company will lease space in two brick buildings, and move in this summer from temporary offices nearby.

GE, a neighbor of Amazon's in Fort Point, made some big promises when it agreed to move here three years ago from Connecticut. But the company's situation has changed dramatically; thrifty new CEO Larry Culp is downsizing and divesting, the better to improve profits and restore investors' shaken faith in the beaten-down stock. It seemed like nearly everyone had expected Culp to pare back the HQ.

The Baker and Walsh administrations also made promises back then: \$120 million in state infrastructure funds for GE's Fort Point property, and up to \$25 million in city tax breaks. GE is now pledging to fully reimburse MassDevelopment for the \$87 million in state funds that were spent so far. (Both GE and MassDevelopment own portions of the site.) And GE says it won't take a dime in tax breaks from the city.

Relocation specialist John Boyd says he has never witnessed so much contentiousness over the issue of public incentives as he's seeing today. (The back-and-forth about Foxconn's fate in Wisconsin is another example.) The New Jersey-based consultant sees an increasingly populist zeitgeist among politicians — in part because of concerns about income inequality, the gulf between the haves and have-nots.

But Boyd also expects tax breaks and other incentives will continue to play important roles in corporate expansion decisions, particularly in high cost states such as New York and Massachusetts. For example: MassMutual and Wayfair won massive tax incentive packages within the past year from Massachusetts officials — valued at \$46 million and \$31 million, respectively — in return for aggressive job growth.

These kinds of deals could get more scrutiny in the months ahead. Boston City Councilor Michelle Wu introduced a proposed ordinance this week that would create new requirements for corporate handouts. And Jamie Eldridge, a vocal tax-incentive foe in the state Senate, vowed to press for reforms on Beacon Hill.

A few dozen protesters marched in the snow outside GE's big event back in April 2016, when the company previewed its move to Boston's business community. They were a bit of a ragtag bunch, easily discounted by the well-dressed power players convening upstairs in the State Street tower. But these kinds of activists are getting increasingly hard to dismiss.

Each time a politician agrees to a major tax credit package or another kind of subsidy, a political calculus is made — the economic benefits will be worth the sacrifice, they will outweigh any backlash. That math could get trickier now. The changes at GE and Amazon could prompt public officials to be more cautious the next time they decide to dip into that well.