

## Hey, Amazon, Delaware has your future headquarters site

Scott Goss and Jeff Neiburg, The News Journal Published Sept. 15, 2017



*The Claymont Renaissance Development Corporation hopes to make use of the old Evraz Steel and Tri-State Mall sites as a potential location for Amazon's next headquarters. Jerry Habraken / The News Journal*



*(Photo: Jerry Habraken, The News Journal)*

Gov. John Carney believes it could happen.

Wilmington Mayor Michael Purzycki and New Castle County Executive Matt Meyer are convinced it is possible.

Can tiny Delaware – perhaps best known for its beaches, DuPont and Joe Biden – actually beat out much larger competitors for Amazon’s second North American headquarters?

The response from real estate and corporate relocation experts outside Delaware is a resounding, “maybe, but probably not.”

The golden prize is as much as \$5 billion in investments and 50,000 jobs. That’s more than Delaware’s entire annual budget and the number of jobs created in the entire state over the last five years.

The \$100,000 average wage that the Seattle-based online retail giant says it will pay those employees is nearly 40 percent higher than Delaware’s median household income.

That's why – despite the overwhelming odds – the state's top economic development officials are hustling to answer Amazon's call for proposals by the Oct. 18 deadline.



*Wilmington Mayor Mike Purzycki speaks during an event Friday where a new youth park was dedicated at Brown Burton Winchester Park. (Photo: Damian Giletto/The News Journal)*

“Something like this would be an absolute game changer for Wilmington and all of Delaware, really,” Purzycki said. “It could change the economy and social future of the entire city. And by providing jobs for thousands of people who right now have limited opportunities, it could change lives.”

Which is the reason major players such as Denver, Atlanta, North Carolina's Research Triangle region and essentially every other major metropolitan area in North America, are all laser-focused on chasing the same corporate whale.

That includes some well-positioned sites in Pennsylvania and New Jersey.

“Delaware is not one of the leading contenders for this project,” said John Boyd, a principal with Princeton, New Jersey-based corporate site selection consulting firm The Boyd Co.

But it may not be impossible.

And even if the headquarters locates in Philadelphia or South Jersey, Delaware will still benefit.

“The way I see it, there are only two finalists for Amazon’s HQ2,” Meyer said. “It’s just us and everybody else. And we have as much shot as anyone.”

Really?

### **A hope and a prayer**

Amazon is not talking.

Emails and phone calls seeking comment on what the nation's fourth largest corporation is calling HQ2 went unreturned last week

But the company did lay out what it’s looking for in an eight-page guidance letter posted on its website.

Amazon says it has a preference for a “shovel-ready” downtown campus in a metropolitan area with more than a million people rife with universities, gobs of tech talent and the fastest internet speeds.

The property should be within 45 minutes of an international airport, less than two miles from a major highway and have on-site access to mass transit.

At least 500,000 square feet of office space will be needed immediately with another 100 acres available for the addition of up to 8 million square feet -- more than all of the office space that exists in Wilmington.

And the site should be in a “stable and business-friendly environment” with elected officials “eager and willing to work with the company.” That includes a willingness to pass any new laws needed to give Amazon the massive tax credits and grants it will assuredly demand.

It might sound impossible, but ask Claymont resident Brett Saddler and he’ll tell you the already search is over.

Standing on a hill overlooking vacant property that once housed Evraz Claymont Steel, the executive director of the Claymont Renaissance Development Corp. insists the 425-acre patch of grass and blacktop is the ideal location for Amazon – and Delaware’s best hope.



*The former Evraz Claymot Steel site, a fallow 425-acre property, could offer Delaware's best chance of landing Amazon's second North American headquarters. (Photo: Jerry Habraken, The News Journal)*

“They want the world and they want it large,” he said. “Looking at what Amazon wants, this site checks off almost every single one of their boxes.”

Now owned by Commercial Development Corp. of St. Louis, the property is slated for a mixed-use development that includes office space, light manufacturing and residential components.

The site offers nearly enough room for the campus that Amazon wants to build over the next decade – a close-but-not-quite situation that would depend on whether Amazon is willing to house some executive offices in Wilmington in the same way DuPont Co. and MBNA did in decades past.

The former steel mill is only a few hundred feet from both Interstate 95 and I-495, smack dab in the heart of the Mid-Atlantic’s 56 million residents – roughly a sixth of the nation’s entire population.

A \$40 million SEPTA station is planned to open in 2020, providing the mass transit component that many suspect will hinder other potential locations.



*A rendering of the new Claymont train station is shown. There is hope the project will translate into additional investment in the struggling Tri-State Mall nearby. (Photo: PROVIDED)*

And while Claymont is not the bustling metropolis of a million people that Amazon seeks, New Castle County is technically part of the 11-county Philadelphia metropolitan statistical area and just 15 minutes from a major international airport.

“Our motto has been to stop looking at ourselves as Wilmington’s most northern suburb,” Saddler said. “Although we are proud Delawareans, we now look at ourselves as Philadelphia’s most southern suburb and I think that gives us a great shot at this.”

The state officials tasked with preparing Delaware’s entry into the Amazon sweepstakes say it is still too early to name specific sites that could make the final pitch.

But the Claymont property is believed to be on the short list, along with the 92-acre Barley Mill Plaza in Greenville, the 80-acre former AstraZeneca campus in Fairfax, the 142-acre former General Motors Assembly plant near Newport and the 272-acre STAR Campus at the University of Delaware.

The problem with every one of those? None check the box of a downtown campus.

## **Built-to-suit**

Although its chances are slim, experts are not ruling out the First State entirely, thanks partly to its affordable tax rates and housing prices, compared to its neighbors.

“An interesting case could be made for low-cost Delaware,” said Boyd, the corporate site selection expert leery of the First State’s chances.

He, too, pointed to the state’s proximity to dozens of major research universities, an international airport and access to public transportation that takes people easily from Washington to New York.

He also highlighted Delaware’s favorable business climate.

Delaware, after all, recently beat out Iowa and Indianapolis to win two of the three companies that will spin out of the DuPont and Dow Chemical merger.

And last year, legislation to reform the state’s corporate income tax structure – commonly referred to as “the Chemours bill” – sailed through the General Assembly and helped to keep the DuPont spinoff in Wilmington.



*A pedestrian leaves Chemours building in Rodney Square. (Photo: Jennifer Corbett, The News Journal )*

But even that kind of heavy lifting may not be enough.

Boyd, like so many others, is high on Philadelphia, noting the Naval Yard and areas in University City are attractive locations that share many of the same positives as Delaware – only closer to a metropolitan center ripe with the tech talent Amazon is seeking.

He's also – maybe with a bit of location bias – intrigued by the possibility of Mercer County in central New Jersey, the home of Amazon CEO Jeff Bezos' alma mater Princeton University.

Both locations could still benefit Delaware.

A Philadelphia headquarters for Amazon would likely result in hundreds of company workers living in Delaware in search of lower property taxes and housing prices. Same, too, for a potential South Jersey hub, which Boyd said would fit in “one of the nation's most remarkable turnarounds,” Camden.

Matt Cabrey is executive director of Select Greater Philadelphia Council, which helps market the 11-county region to companies around the world.



He also believes Delaware would be a longshot, but said that does not mean the First State is out of the picture completely.

"I think as a larger geographic area, Southeastern Philadelphia, South Jersey and Northern Delaware together could be very attractive," he said. "And regardless of where a project of this magnitude lands, we all would win."

Yet none of those states have shown an interest in approaching Amazon from a regional perspective. Delaware, Pennsylvania and New Jersey all have announced plans to submit their own proposal, rather than working together.

Cerron Cade, director of the Delaware Division of Small Business, Development and Tourism, is the state's point person on developing a pitch for Amazon's HQ2. (Photo: Courtesy of John Carney campaign)

"We're not going to rule anything out at this point," said Cerron Cade, who heads what remains of the former Delaware Economic Development Office.

Carney converted the cabinet-level agency to a division in the state's Department of State this summer and is in the process of selecting board members to its public-private successor, which is not expected to be fully formed until sometime next year. In the meantime, Cade is the point person for all economic development-related matter.

"We have not had those talks yet," he said of the potential for a regional pitch.

"But we have everything surrounding areas have," he added, "except they don't have our ability to bring together all of our elected officials and our cost of living is lower than the rest of the region."

### **Show me the money**

Despite doubts from outsiders, Delaware officials remain adamant the state has a solid chance of landing Amazon.

"I reject the notion that Delaware cannot somehow make this work," Cade said. "We may have to figure some things out but those hurdles are not something we should be afraid of."

Along with the boilerplate sales pitch about geography, relatively low property taxes and the state's "world-class workforce," Cade and others also highlighted Delaware's top-ranked internet speeds, a highly-touted state park system and its ethnic diversity.

But one thing they're not willing to discuss is the economic incentives the state would need to provide in the event it actually catches Amazon's eye.

The company's guidance to potential suitors specifically calls on cities and states to detail the types and amounts of incentives they can fork over – even if that means passing new laws to create a bigger pile of money.

“We acknowledge a project of this magnitude may require special incentive legislation in order for the state/province to achieve a competitive incentive proposal,” Amazon wrote. “As such, please indicate if any incentives or programs will require legislation or other approval methods.”



*The 1.2-million-square-foot Amazon Fulfillment Center in Middletown. (Photo: ROBERT CRAIG/THE NEWS JOURNAL)*

Amazon opened a 1.2-million-square-foot distribution center in Middletown five years ago, thanks in part to \$3.5 million in state incentives. That taxpayer grant required the company to hire 850 employees within its first year of operation, a goal Amazon more than doubled by its one-year anniversary.

Middletown also agreed to exempt Amazon from about \$1 million in municipal real estate taxes through 2022.

That's nothing compared to the \$110 million in grants, tax credits and road improvements that state officials used to lure AstraZeneca's North American headquarters to Fairfax nearly 20 years ago in what remains one of the largest incentive packages in Delaware history.

In exchange, the pharmaceutical giant pledged to increase its workforce at the site from 2,400 to 4,000 by 2004. AstraZeneca met that obligation and more, reaching an employment peak of 5,000 workers in 2005, only to gradually reduce its workforce ever since.

The company sold off its Delaware campus this summer to Delle Donne & Associates in a sale/leaseback deal valued at \$50 million.

AstraZeneca has sold off its 80-acre Fairfax headquarters campus for \$50 million. A portion of the property is seen here. (Photo: GARY EMEIGH/THE NEWS JOURNAL)

If the dollar-to-job formula used to land AstraZeneca were to hold up, Amazon could expect more than \$1 billion in state aid to relocate here.

That's not too far off of the \$1.6 billion package Nevada used to land a Tesla battery factory in 2014 but far from the U.S. record \$8.7 billion handout Washington state awarded Boeing Co. in 2013.

Delaware officials have long said Delaware simply does not have the tax base to compete with other states when it comes to offering raw incentive deals of that size. And it remains unclear how they expect to swing a potential Amazon deal.

"It's too early in the process to talk about money or incentives," Cade said. "I will say Delaware is committed to being innovative, nimble and enthusiastic when it comes to this project."

### **'A brilliant P.R. stunt'**

Some have speculated Amazon knows exactly where it wants to go and is just fishing for the best possible offer.

Boyd called it a "brilliant P.R. stunt" and likened it to similar corporate relocations from General Electric and Tesla.

Public relations stunt or not, Amazon will be taking pitches from most of the 50 states and probably every metropolitan area in the country. Delaware, obviously, has a tough hill to climb.

"This trophy project is really an opportunity for Carney to become a national figure and make the case for Delaware," Boyd said

Even if it does not land Amazon, the process could still help Delaware in the long run.

“What something like this does is put you through a period of introspection,” Purzycki said. “It gives you a chance to look through the eyes of a prospective company and, if you’re honest with yourself, you see areas where you fall short and that helps you improve.”

Claymont’s Saddler said now is not the time to consider the all-too-likely possibility of failure.

He remains ever hopeful, even as he awaits a call from state officials about the Evraz Claymont Steel site.

“It would be a game-changer,” Saddler said. “I believe that we have all the necessary ingredients. I really do.”