

Delaware unveils its longshot pitch for Amazon HQ2

Scott Goss, The News Journal, Oct. 19, 2017



(Photo: Reed Saxon, Associated Press)

A central location on the East Coast. Some of the fastest internet speeds in the nation. And a relatively low tax burden.

Those are some of the major selling points Gov. John Carney is highlighting in Delaware's formal bid to land Amazon's second U.S. headquarters – a project that promises \$5-billion worth of real estate investment and up to 50,000 jobs.

"We believe that Delaware has submitted an aggressive, competitive proposal worthy of Amazon's consideration," Carney said in advance of Thursday's public unveiling of the state's longshot pitch at The Delaware Contemporary art museum in Wilmington.

Amazon already operates a 1.2-million-square-foot distribution center in Middletown and another, smaller facility in New Castle. But this would be a corporate headquarters with jobs that offer an average salary of \$100,000, nearly 40 percent higher than Delaware's median household income.

Delaware's proposal offers two sites as possible locations for the 8 million square feet of office space Amazon is looking to build – a total that exceeds Wilmington's entire stock of office space.

Those sites include a 425-acre property that once housed Evraz Claymont Steel and an 82-acre block of properties along Wilmington's South Market Street, just south of the Christiana River, mostly owned by the Buccini-Pollin Group. A third site, the 82-acre former AstraZeneca campus in Fairfax, is being pitched as a possible location for the 500,000-square-foot Amazon says it will need immediately.



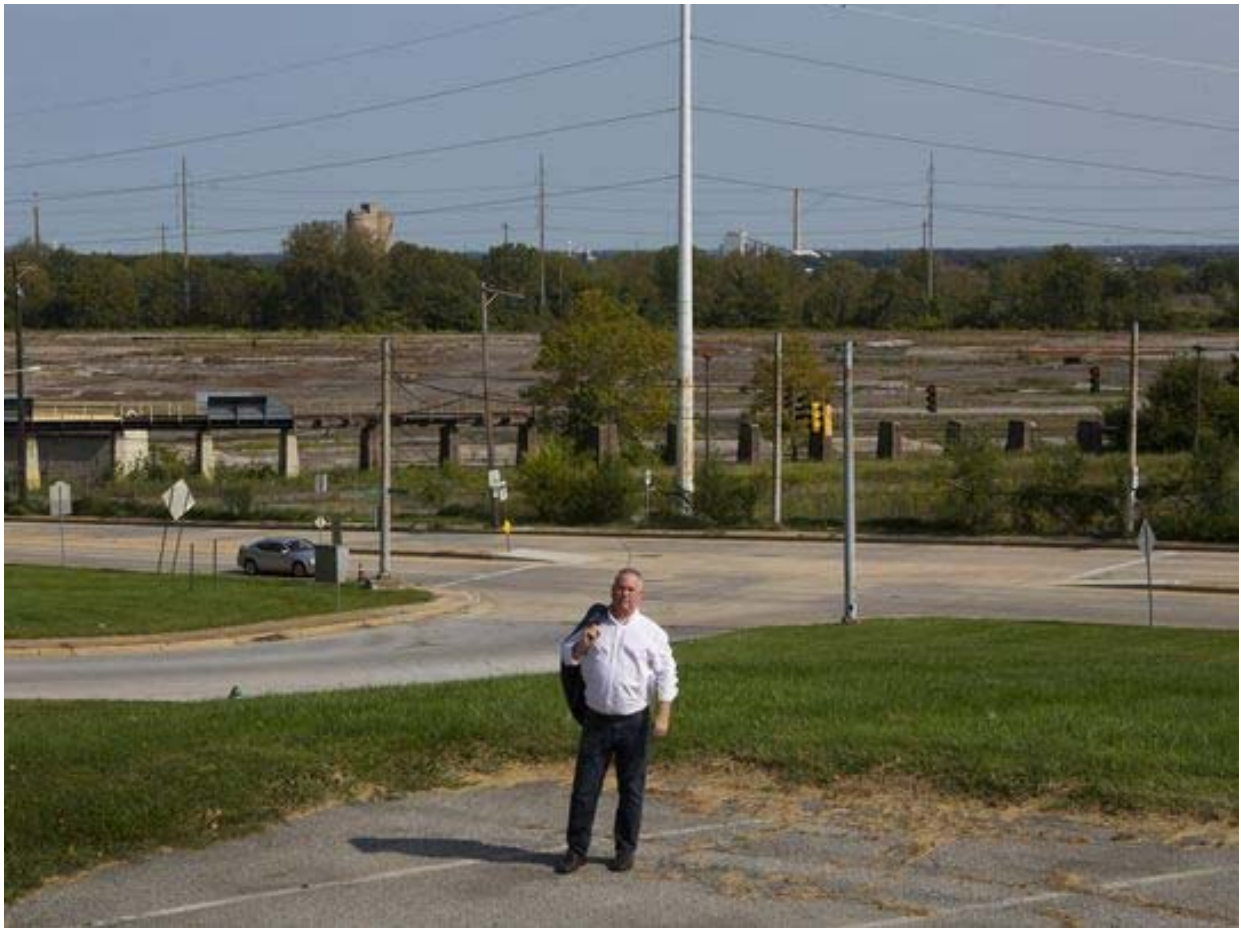
Governor John Carney announced three potential sites Amazon could build its next headquarters Thursday at the Delaware Contemporary. Jerry Habraken / The News Journal

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All three properties are within 30 miles of Philadelphia International Airport and the center of a major metropolitan area with more than a million people – both identified as prerequisites by Amazon.

The state's formal submission also includes at least nine letters of recommendation from Delaware's elected officials and local companies, including The Chemours Co., Incyte Corp., Christiana Care and CSC.

Carney even launched a website, OptionsInDE.com, that features a three-minute video – produced by Short Order Production House – extolling the state's affordable cost of living, diverse communities and educated workforce.



Brett Saddler, executive director of the Claymont Renaissance Development Corp., stands in front of the former Evraz Claymont Steel site where Saddler believes Amazon could build a new headquarters. (Photo: Jerry Habraken, The News Journal)

The governor's office is not releasing the actual proposal it sent to Amazon, however.

Citing non-disclosure provisions in Amazon's request for proposals, state officials also are refusing to discuss one of the leading factors Amazon may use in choosing a location for its so-called "HQ2": financial incentives.

"We cannot share that," Carney said. "It's a pretty big number – the largest number I've ever seen as it relates to economic development projects here in our state. But, of course, it pales in comparison to some of the offers made by larger states and cities."

Several of the roughly 50 cities, regions, and states that are submitting bids to Amazon spent the past week touting a jaw-dropping assortment of tax breaks, fee reductions, and grant packages.

New Jersey Gov. Chris Christie on Monday laid out nearly \$7 billion worth of incentives tied to a Newark proposal. Pennsylvania officials are reportedly offering up to \$3 billion in incentives to bring Amazon to Philadelphia, which is widely believed to be a front-runner for the tech giant.

"It's a tragic overspending orgy," said Greg LeRoy of Good Jobs First, a labor-backed watchdog group that monitors state economic development deals. "These are rotten deals for taxpayers upon which they may never break even."

Those types of deals also are likely outside of Delaware's weight class.

The 80-acre Fairfax campus that AstraZeneca sold to developer Delle Donne & Associates last summer is one of three sites Gov. John Carney is hoping will help convince Amazon to build its second U.S. headquarters in Delaware. (Photo: GARY EMEIGH/THE NEWS JOURNAL)

The First State's largest incentive package of all time topped out at \$110 million – a mix of grants, tax credits and road improvements used to lure AstraZeneca's North American headquarters to Fairfax during the economic boom years of the late 1990s.

If the dollar-to-job formula used to land AstraZeneca were to hold up, it would equal about \$1 billion in today's dollars.

New Jersey's \$7 billion deal is nearly twice as large as the entire budget for Delaware, which in recent years has allocated just \$10 million a year toward economic development incentives.

"When you talk about contributing something meaningful to Amazon in terms of dollars, it's hard to do that," New Castle County Executive Matt Meyer said. "But the basis of our pitch is this: it's an extraordinary place to attract talent, an extraordinary place to access markets and for the cost of living and quality of living we offer, it's hard to do better."



Gov. John Carney announces the three Delaware sites that have been chosen as the best potential locations for Amazon's new headquarters during a press conference Thursday at the Delaware Contemporary. (Photo: Jerry Habraken, The News Journal)

Delaware also is in the early stages of completely overhauling its economic development efforts. Carney last summer eliminated the Delaware Economic Development Office and transferred many of its duties to a new public-private partnership that remains unstaffed.

The state's pitch to Amazon was spearheaded by the Division of Small Business, Development and Tourism, a newly created agency focusing its efforts on supporting businesses already in existence here.

Amazon's open competition for its future second headquarters coming during that transition likely will not impact Delaware's already slim chances.

LeRoy said he suspects Amazon already has a short list of locations and is pitting locations across the country against each other in an effort to simply leverage the best tax breaks.

"The largest criteria is going to be the presence of executive talent, engineers, lawyers, CPAs and marketing brainiacs," he said. "Tax breaks don't raise IQs or produce more engineers."

Yet Delaware's bid does appear to lack some of the inventiveness Amazon said it was looking for when it asked communities to "think big and creatively."

Philadelphia, for instance, rolled out three videos over three days promoting the city's logistics, workforce talent, and livability as part of a campaign titled #PhillyDelivers.

But even that effort looks pedestrian next to Stonecrest, Georgia's offer to de-annex 345 acres and rename the property in the Seattle-based company's honor.

Birmingham, Alabama, placed three giant Amazon boxes around the city and encouraged residents to join a social media campaign. Tuscon, Arizona, sent a 21-foot cactus to Amazon's current headquarters. And Kansas City's mayor bought 1,000 products on Amazon and reviewed them all.

Delaware's pitch video and website never even mention the word "Amazon."

That could be because the state is hoping to use its pitch to attract other companies that are watching the Amazon competition play out.

"This is much bigger than solely Amazon," said Cerron Cade, who heads the state's new economic development division. "This is a conversation and pitch for all businesses that are looking to come and grow right here in the state of Delaware."

John Boyd, a principal with Princeton, New Jersey-based corporate site selection consulting firm The Boyd Co., called that approach a "smart maneuver."

"The HQ2 site search is a powerful platform for Delaware to make its case to a national audience," he said. "The state may be a longshot to win Amazon. But if Philadelphia were to be selected, some of the sites highlighted by Delaware could easily be in contention for some of Amazon's suppliers and vendors."

Amazon is expected to announce its final choice for the HQ2 sometime next year.