

Grading Minnesota's Amazon HQ2 bid

By: William Morris - May 7, 2019



A concept for Bloomington's South Loop district shows more than 20 new office buildings, one of 18 Twin Cities sites included in the region's unsuccessful bid to attract Amazon's second headquarters. (Submitted image: Greater MSP)

Air rights above downtown St. Paul parking ramps. A sprawling 20-building campus around the Mall of America. Nearly 400 vacant acres in Hugo. Whatever led retail giant Amazon to reject the Twin Cities' bid to host its second headquarters, it wasn't a lack of options.

Minnesota's application in the so-called HQ2 competition, submitted by the Greater MSP economic development partnership, was not enough to get the Twin Cities into the final 20 for Amazon's \$5 billion, 55,000-job expansion. The company eventually split the project in two and chose sites in New York City and northern Virginia, although the New York plan was later scrapped in the face of local opposition.

Greater MSP had resisted sharing details of the state's bid, even with the state, and had successfully defended against a lawsuit filed by a public-data advocacy group. But on Monday, it released the final 122-page application to the Department of Employment and Economic

Development, with CEO Peter Frosch announcing in a Star Tribune column that Amazon had consented to the publication.

Many details of the state's application, including the comparative lack of public subsidies offered, were already known, but the full application underscores how far Minnesota's incentives fell short of some of its competitors, said John Boyd Jr., a principal with the Princeton, New Jersey-based site selection firm Boyd Co. In the application, then-Commissioner of Employment and Economic Development Shawntera Hardy wrote that a project such as Amazon's would typically generate a state award of \$3 million to \$5 million.

"Amazon is a company that has not been shy with respect to leveraging incentives, using incentives," Boyd said in an interview, describing public incentives as a big key to Amazon's rapid growth. "Business costs in Minneapolis are often higher than in Chicago, and Chicago offered several billion dollars in incentives. Not having a package in sync with Chicago put Minneapolis, given its high operating cost structures, at a disadvantage, and made it more difficult for the Twin Cities to make the final 20."

Subsidy totals were not the only factor Amazon weighed. The ultimate winners, Arlington and New York City, pledged billions of dollars in support but came in well short of finalists Maryland and New Jersey, which offered \$8.5 billion and \$7 billion respectively. On the other end of the spectrum, some finalists, such as Toronto, made the top 20 without offering any incentives at all.

Subsidies aside, the application makes a strong case for the Twin Cities, Boyd said, with a compelling narrative about the philanthropic nature of the community and the social impact a new Amazon headquarters would add.

"I like the section about public transit, [and] Minneapolis being an international gateway airport. That was timely," he said. "Those are narratives that will help the Twin Cities in a post-HQ2 world, as the cities compete for new HQ projects. Emphasizing transportation assets is key."

The application did a good job of highlighting the region's strengths in many areas that make it attractive to companies and their employees, said Jay Kiedrowski, a senior fellow at the University of Minnesota's Humphrey School of Public Affairs.

"I think we put forth a good proposal. We highlighted the advantages the Twin Cities has, from an airport hub to the arts to what it's like to live here," he said. "I think it was a very responsive application."

The application proposed sites in 18 cities, from the urban cores to North Branch and Elko New Market. While most of the locations had been previously reported, the application delves in greater detail into many of the sites.

In St. Paul, the city proposed not only the West Publishing site, a perennial redevelopment opportunity, but also six other downtown properties including the current Ramsey County Public Health Center site and air rights above the Lowertown and RiverCentre parking ramps.

Bloomington's 16-page proposal included several renderings showing dozens of new mid-rise buildings that could be built north, east and southeast of the Mall of America. Other sites received much more cursory treatment, with sites in Brooklyn Park, Chaska and other suburbs noted in one or two pages.

The Twin Cities is a thriving metropolitan center, and Boyd said not making the top 20 in Amazon's process should be cause for reflection, as it was in Charlotte, North Carolina. That city has overhauled its economic development infrastructure, combining several groups and bringing in new leadership since failing to make the final list.

"The business community in Charlotte, heads of foundations in Charlotte, some of the nation's top business leaders, took it personally Charlotte did not make the top 20, and heads rolled because of that," Boyd said. "I don't sense the same backlash in Minneapolis."

But Kiedrowski, who agreed the minimal subsidy package probably held Minnesota back, said the state had good reason to be conservative in its bidding. He noted the state already is home to several major retailers and other Fortune 500 companies.

"I think the proposal was a responsible response to Amazon. The subsidies were reasonable," he said. "The Dayton administration risked, if they had too much in incentives, having Minnesota corporations who are creating jobs wondering why they aren't getting subsidies."

Minnesota may not be able to avoid big subsidies if it wants to be competitive for future headquarters searches, Boyd said, but it also has valuable experience from the HQ2 process to build on.

"This is a good data mining project, a good communications project," he said of the application. "The acumen of the economic developments professionals, real estate community, academic professionals engaged in development, has been elevated."