



Amazon should be ‘seriously looking at Newark’ and NJ for its new \$5B HQ

By Michael Symons October 2, 2017



Getty Images

New Jersey isn't as far-fetched a location for Amazon's second headquarters as you might think, experts say – from cities near Manhattan to the campus Bristol-Myers Squibb is ditching in Central Jersey.

Cities and states from coast to coast are engaging in a bidding war for the \$5 billion second headquarters being planned by e-commerce giant Amazon, with proposals due to the company between Oct. 16 and 19.

Princeton-based business location consultant John Boyd says Washington, D.C., is the leading candidate to land Amazon, followed by Atlanta, Boston, Chicago – and New Jersey.

“This will be a talent-driven site selection search, and New Jersey clearly has one of the nation’s premier labor markets, access to talent and research universities,” Boyd said.

Amazon has seven fulfillment centers in the state and a successful subsidiary in Newark, Audible.com. New Jersey has public transportation that Amazon values and is willing to offset some of its high costs through up to \$5 billion in tax breaks.

“Incentives are really a necessary evil today, especially for a high-cost state like New Jersey,” he said.

Amazon asks in its request for proposals for information about “diversity of housing options, availability of housing near potential sites for HQ2, and pricing,” as well as cost-of-living data, to settle on an area “where our employees will enjoy living ... (and have) an overall high quality of life.”

New Jersey Future research director Tim Evans said New Jersey’s expensive housing is a negative – but hardly unique.

“Most of the places that New Jersey is going to be competing with that have the other kinds of amenities that Amazon is looking for are also expensive. So I think New Jersey has still got a pretty good shot at landing this,” Evans said.

“If I were Amazon, I’d be seriously looking at Newark,” Evans said. “I think they’ve gotten everything that Jersey City had 20 years ago, you could say about Newark about now. In fact, I think it’s already started to happen.”

Boyd said the convention wisdom is that Amazon would prefer to build vertically, perhaps in places like Newark, Jersey City or Bayonne, but he thinks Amazon might prefer to stretch out its 8 million square feet in Central Jersey.

“I would look at Fort Monmouth, which has the available real estate. Perhaps Mercer County, there’s an old BMS facility in Hopewell that could potentially be repurposed or redeveloped,” Boyd said.

Atlantic City formally joined the list of prospective candidates Monday.

Mayor Don Guardian said the city has easy access to Philadelphia, New York and Washington, an affordable cost of living and outstanding recreational amenities, as well as extra tax incentives as a “growth zone” and a nearly federal technical center testing drone systems.

It would seem to lack some of what Amazon says in its request for proposals that it's looking for, including a metropolitan area of more than 1 million people and access in less than 45 minutes to an airport with daily nonstop flights to San Francisco and Seattle.

But Boyd says there's value for Atlantic City in bidding.

"Every region in the country wants to use this process to really make their case," Boyd said. "While Atlantic City clearly would be a very long-shot to land the headquarters, it's an opportunity for the economic development professionals in Atlantic City to say, 'Look, we're open for business' and to talk about some of the new growth activity happening in Atlantic County."

All locations in New Jersey will come with staggering tax breaks, under a change in state law that's likely to be approved by December.

The state plans to change its "Grow NJ" tax incentive program to allow Amazon to receive tax credits anywhere in the state, rather than only in certain distressed cities or urban transit hubs.

Also, such as "transformational project," a new category that covers projects that would create 50,000 jobs, are eligible for \$10,000 per job per year in tax breaks for 10 years, or \$5 billion in credits. That's double the standard break of \$5,000 per job.

Christie said the change and recruiting pitch have been agreed to by the four legislative leaders and the major-party gubernatorial candidates, so he said there is "no impediment to getting that done" in the post-election, lame-duck legislative session.

"This will be done before I leave," Christie said.

The state Economic Development Authority's net benefit test projects \$9 billion in benefits to New Jersey from the project, which would mean a net gain of \$4 billion even if the full tax break was received by Amazon.

Christie said other states will probably also make tax-incentive offers, though the details of most are more shrouded, at least for now. New Jersey is in a unique position as it and Virginia are the only two states electing new governors this year, so Christie said the state must be more open to assure Amazon the change in leadership won't mean a change in policy.

A narrow focus on tax breaks to attract Amazon would make worse a mistake the state has made repeatedly since the Great Recession, said Gordon MacInnes, president of New Jersey Policy Perspective, a critic of the tax-incentive programs.

"Merely blowing the lid off already out-of-control corporate tax break policies won't work – and is dangerous to New Jersey's future to boot," MacInnes said.