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Amazon Cancels HQ2 Plans in New York City

Amazon will move forward with plans in Virginia and Nashville and will hire at other tech hubs



Amazon's plans to locate half of its HQ2 operations in Long Island City drew criticism from some residents and local officials who questioned the \$3 billion in state and city tax incentives the company was offered. Photo: don emmert/Agence France-Presse

By Laura Stevens, Jimmy Vielkind and Katie Honan - Feb. 14, 2019

Amazon.com Inc. AMZN -1.08% is abandoning its plans to build a new headquarters in New York City after the company faced stiff resistance from some local politicians who objected to giving one of the world's most valuable companies billions of dollars in tax incentives.

The company said in a blog post Thursday that its commitment to a new headquarters required supportive elected officials and collaboration.

“While polls show that 70% of New Yorkers support our plans and investment, a number of state and local politicians have made it clear that they oppose our presence and will not work with us to build the type of relationships that are required to go forward with the project we and many others envisioned in Long Island City,” the company said.

Amazon’s decision to abandon plans for a new headquarters in the Queens neighborhood of Long Island City marks a stunning reversal. Amazon spent a year conducting a public search for a second headquarters, in which hundreds of locations vied for a shot at a promised 50,000 jobs and \$5 billion in investment.

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In November, Amazon decided to split its so-called HQ2 operations between Virginia and New York, partly to ensure it could recruit enough tech talent.

Amazon said it won’t reopen its headquarters search. It will continue to add jobs at its other headquarters location in Northern Virginia, as well as offices in Nashville and other tech hubs around the country, the company said. Amazon said it has more than 5,000 people in New York City already and would continue adding to those teams.

Behind the scenes, Amazon executives have focused on expanding in places where the company is wanted, according to people familiar with the matter—particularly in light of the flak the company has taken in Seattle from residents and local politicians over transportation, housing and other issues.

As the chorus of objections built in New York, executives decided to cut their losses.

Nothing seemed awry Thursday morning at a community meeting in Queens attended by Amazon executives, people who were present said.

Richard Khuzami, president of the Old Astoria Neighborhood Association and a member of the panel, left the meeting feeling hopeful. “I was seeing public opinion starting to turn around,” he said.

He said he spoke with Braden Cox, Amazon’s director of U.S., state and local policy, about an idea that involved entrepreneurial investment in local retail, and the executive seemed receptive, Mr. Khuzami said. “I came out of the meeting feeling quite positive,” he said.

A few hours later, Amazon said it canceled the plans.

“There were a lot of missteps,” said John Boyd, principal at the Boyd Co., which helps companies select sites.

He pointed to Amazon’s revelation late in the process that it would split HQ2 in two, as well as what appears to be Amazon’s lack of awareness of how local politics operate in the city. “Anything that happens in New York tends to be a bigger deal,” he said.



New apartment buildings, left, and an old warehouse, right, in Long Island City. Some government officials were worried Amazon might abandon plans to create 25,000 jobs and invest \$2.5 billion. Photo: Mark Lennihan/Associated Press

Amazon had stressed during the course of its search—and in its decision to split HQ2 in half—that its primary need was tech talent, something no one location could provide. Abandoning New York raises questions about how the company will fill those needs. Amazon faced criticism from some local officials, who questioned granting the company \$3 billion in state and city tax incentives.

Cracks in the process appeared last week as Amazon executives started re-evaluating the planned campus in New York City. Discussions with Amazon had led some government officials to worry the company might abandon its plans to create 25,000 jobs and invest \$2.5 billion in New York’s Long Island City neighborhood.

Of particular concern to some inside Amazon was last week's nomination of New York state Sen. Mike Gianaris, a vocal opponent of the deal, to a state board that would have allowed him to veto the development plan, people familiar with the matter have said. Mr. Gianaris needs to be approved for the post by Gov. Andrew Cuomo. "Wow," Mr. Gianaris said immediately after the news broke.

The governor and New York Mayor Bill de Blasio, fellow Democrats who have often clashed, led the deal to woo Amazon and have continued to support it. Local officials, though, questioned everything from the project's impact on transportation to neighborhood gentrification, as well as Amazon's opposition to unionization.

Mr. de Blasio said Thursday afternoon that the company threw away an opportunity to be in New York. "You have to be tough to make it in New York City," he said in a statement. "We gave Amazon the opportunity to be a good neighbor and do business in the greatest city in the world. Instead of working with the community, Amazon threw away that opportunity." "Amazon refused to change and accept New York values," Councilman Jimmy Van Bramer, a vocal opponent of the plan, said Thursday.

Rep. Alexandria Ocasio-Cortez (D., N.Y.), freshman lawmaker and a vocal critic of Amazon, declared victory on Twitter Thursday. "Anything is possible: today was the day a group of dedicated, everyday New Yorkers & their neighbors defeated Amazon's corporate greed, its worker exploitation, and the power of the richest man in the world," the tweet said.

Amazon executives sat through two hearings where they were grilled about the incentives package and their anti-union stance. Hundreds of people attended the first hearing, which at times involved protest chants and heated exchanges between Amazon officials and city council members.

New York City Council Speaker Corey Johnson organized the hearings to examine the closed-door negotiations between Amazon and state and city officials that sealed the deal. Assemblywoman Catherine Nolan, a Democrat who represents the Queens district that would have housed the new headquarters, said an Amazon executive shortly before noon told her the company was going another way.

"They've just decided that they're going to move on," Ms. Nolan said. "They got eaten alive, and it's just a shame."

Some Amazon officials were surprised by the opposition, people familiar with the matter have said. The company had specifically sought out a location that welcomed it during the process. Meanwhile, Virginia's governor last week signed legislation approving the state's incentive plan for Amazon. The company's planned campus in the Crystal City neighborhood in Arlington, Va., has met little resistance. Stephanie Landrum, who oversees economic development for Alexandria, Va., said the state's package is structured to allow for the possibility that Amazon could grow to 37,500 jobs in the area.