



## **Amazon HQ2: NJ better off losing after \$5B Newark deal rejected?**

Michael L. Diamond, Asbury Park Press - Nov. 15, 2018

TRENTON - Tim Sullivan was working for New York City in 2010 when then-Mayor Michael Bloomberg announced a plan to build a college for applied sciences on Roosevelt Island in the East River between Manhattan and Queens.

The school, called Cornell Tech, opened last year. It could double the city's graduate engineering students. And the payoff might have come this week, when internet giant Amazon said it would open a headquarters in Long Island City, a stone's throw away in Queens.

"My hunch is that's part of why the Long Island City value proposition was so exciting (to Amazon)," Sullivan said.

Amazon plans to hire 50,000 workers nationwide to help keep up with their expanding business and held Job Fairs at several Fulfillment center including Robbinsville. They plan to hire 1,500 for jobs in New Jersey. (Photo: Peter Ackerman)

Sullivan now is the chief executive officer for the New Jersey Economic Development Authority, and he's trying to put that lesson to work in Gov. Phil Murphy's bid to jump-start the Garden State's economy.

The mission took center stage this week when Amazon, after a nationwide search for a new headquarters, dubbed HQ2, chose Long Island City and suburban Washington, D.C., from 20 finalists, including Newark.



*Amazon Fulfillment Center in Robbinsville. Amazon plans to hire 50,000 workers nationwide to help keep up with their expanding business and held Job Fairs at several Fulfillment center including Robbinsville. They plan to hire 1,500 for jobs in New Jersey. (Photo: Peter Ackerman)*

With it, Amazon turned down up to \$5 billion in tax credits from New Jersey, choosing instead what one relocation expert said was an even more expensive destination in Queens.

But New Jersey might have wound up with the best of both worlds: long-suffering Newark was mentioned in the same breath as high-flying cities like Denver, Atlanta and Austin, Texas. And it doesn't have to contend with negative consequences, from a potential spike in housing prices to political opposition for a massive corporate tax break.

"Newark really emerges as a real winner in the process," said John Boyd, principal of The Boyd Co., a corporate location consulting firm based in Princeton.

Sullivan, 37, joined the EDA in February after working with Bloomberg in New York City and, more recently, Gov. Dannel Malloy in Connecticut. It represented a homecoming; he grew up in Maywood, Bergen County, and now lives in Lawrenceville.

Amazon could have made his life easier.



*Tim Sullivan, chief executive officer of the New Jersey Economic Development Authority, is shown during an interview in his Trenton office Tuesday, November 13, 2018. (Photo: Thomas P. Costello)*

As head of the EDA, Sullivan is in charge of helping New Jersey attract and retain employers — a task that became increasingly difficult as the giant millennial generation began to gravitate from the suburbs to the cities, leaving the state's office parks behind.

New Jersey from 2007 to 2017 ranked 42nd in employment growth. It ranked 49th in wage growth. And it retained just 38 percent of its in-state college graduates, a recent EDA report found.

To turn it around, Murphy recently outlined a plan to bring together universities, employers, entrepreneurs and investors, forming a new innovation ecosystem.

The vision can be hard to picture, but it sounded similar to the one Bloomberg started on Roosevelt Island eight years ago to diversify the city's economy and add a technology sector that could generate enough momentum to compete with Silicon Valley.

Big decisions loom. The EDA's Grow NJ program, which offers tax credits to companies that stay or relocate in New Jersey, expires in June.



*A view of the waterfront of Long Island City in the Queens borough of New York, along the East River, is seen Nov. 7, 2018. Amazon has decided to split its new headquarters between New York City and a Washington suburb in Northern Virginia, The Wall Street Journal reported, Nov. 12, 2108. After a year-long search in which more than 200 cities wooed the web giant for the project Amazon opted to divvy up its so-called HQ2 between the Long Island City neighborhood of Queens in New York and the Crystal City area of Arlington, Virginia, across the Potomac River from Washington, DC. (Photo: DON EMMERT, AFT/Getty Images)*

It has helped attract giant companies such as JPMorgan Chase, RBC Capital Markets and Jaguar Land Rover North America, but the price has been steep. New Jersey offered as much as \$162,000 per job, more than twice as much as other states, according to a report by McKinsey & Co., a consulting firm.



*Amazon has named a portion of Arlington, Virginia as one of its two new headquarters in addition to its original home in Seattle. The Virginia site, newly dubbed “National Landing,” sits for the most part in Arlington and encompasses the neighborhood of Crystal City, the eastern portion of Pentagon City, along with the norther portion of Potomac Yard. Developer JBG SMITH has been selected as a partner in developing Amazon’s new headquarters location. Here are some artists renderings of what the developer says will be a new interconnected and walkable neighborhood situated across the Potomac River from Washington, DC. Rendering of 1550 Crystal Drive. (Photo: JBG SMITH)*

Murphy has said he wants to cap the award and target companies that provide high-paying jobs. (The Amazon tax credit was approved by former Gov. Chris Christie, but Murphy continued to support it).



*An artist's rendering of the North Landing development that's been proposed as part of the site of Amazon's new headquarters in Arlington, Virginia. (Photo: JBG SMITH)*

"They need to be revamped," said Tom Bracken, president of the New Jersey Chamber of Commerce. He urged the state to use the tax credits it offered Amazon and make them available to small- and medium-sized companies statewide.

Where does New Jersey go from here? Sullivan met with USA TODAY NETWORK New Jersey Tuesday, shortly after Amazon's official decision was announced.

**Q: Why did our bid fall short?**

*Sullivan:* The ultimate outcome is a disappointment. We'd rather be one of the finalists. But for Newark to have been a top-20 city in this process is incredibly validating of the progress that's happened in Newark. (Out of) 230 applications, 218 got dismissed pretty early on in the process. And a small handful got to play in the final round. ... I think certainly we'll evaluate where we are and what we learned as the process, the aftermath of the process, unfolds.



*In this Oct. 16, 2017, photo, New Jersey Sen. Cory Booker, right, speaks while New Jersey Gov. Chris Christie stands behind him during an announcement in Newark, N.J. The New Jersey lawmakers announced they are submitting a bid to Amazon that Newark would be the best location for the company's planned second headquarters. (Photo: ASSOCIATED PRESS)*

**Q: Should we care? Even in the aftermath you've seen complaints from folks in New York and Washington saying, yeah, the jobs are great, but the impact on traffic and the burden they place on us is too much. Should we be secretly relieved?**

*Sullivan:* I think Amazon coming to Newark would have been an incredibly important moment in the city's economic trajectory. Gov. Murphy and Mayor (Ras) Baraka worked hand-in-hand to try and make that happen. I think there's always, when there's a big development project, there are always tradeoffs and things that need to be managed. One of the exciting things about a city like Newark is Newark has the infrastructure to support the kind of growth we're talking about here.



*A worker gathers a customer order at a fulfillment center. (Photo: Courtesy of Amazon )*

**Q: The state offered Amazon a tax credit of \$5 billion, and I wanted to ask about tax credits in general. The McKinsey report pointed out that the state was spending like \$160,000 per job, which is way more than the rest of the country. I wonder if it is time to rethink those?**

*Sullivan:* The way Gov. Murphy thinks about it, and as a result the way I think about it, is incentives have to be a tool in the tool kit, but they need to be a tool in service of a strategy, not a strategy into themselves. ... He's calling for ... a re-evaluation, or a time to revisit, what's the size and scope we should have in our incentive program? Certainly incentives have to be a tool. Everyone has them and they have to be part of a framework. If we're going to make investments in companies, we have to look at what kind of jobs, what quality of jobs we're looking at. We want to see investment in high-wage, high-growth parts of the economy that have the biggest multiplier, have the biggest opportunity to create a bigger path to the middle class or better for New Jersey residents.





*Tim Sullivan, chief executive officer of the New Jersey Economic Development Authority, is shown during an interview in his Trenton office Tuesday, November 13, 2018. (Photo: Thomas P. Costello)*

**Q: When you talk to CEOs and they say it's so expensive here, what do you tell them?**

*Sullivan:* The two things we hear most consistently from CEOs, whether they are here and talking about their future in the state or are from out of state and are considering an investment here, the two things we hear first and foremost are infrastructure — things like transit, transportation — and talent. Can they find the people they need to fuel the growth they're planning? We score, current challenges with NJ Transit notwithstanding, in the grand scheme of things we score pretty well on the transit and infrastructure side of the equation. ... And talent-wise, too, we have more Ph.D.'s per square mile than anyplace in America, anyplace in the world. New Jersey has never been and will never be the low-cost alternative. If you look at some of the decisions people are making, point to Amazon (Tuesday), New York City is not a low-cost place either. People are looking for, what is the value and return you get for those costs?



*Amazon workers in Robbinsville Fulfillment Center move around orders. (Photo: Peter Ackerman)*

**Q: Does New Jersey Transit keep you up at night?**

*Sullivan:* The need to make the investments in New Jersey Transit that Gov. Murphy has been championing is incredibly important in economic development. ... From an infrastructure perspective, the choke point is the Portal Bridge and the two tunnels under the Hudson (River). If those ever would fail on a permanent basis, we would have an economic catastrophe all throughout the region. It think there's broad, widespread recognition on a bipartisan basis that we need to make the investments in (the Gateway Project) and build a new Portal bridge. The EDA is helping to play a role with New Jersey Transit in financing that project. When the federal government puts some money in to do their share, we're ready to go. Those two things absolutely weigh on the economic trajectory of the state.

**Q: You'll go back through Amazon and do a post mortem, but where do you think New Jersey goes from here?**

*Sullivan:* I think being on the map and having Newark and New Jersey being toward the top of the list of the Amazon process is incredibly validating and providing a lot of value from a marketing and brand perspective. We're on the map in a different way than we were prior to the beginning

of this process. But we've got to continue making the kinds of investments that companies like Amazon are looking for. Amazon ... made it very clear they wanted transit rich, walkable, dense, mixed-use environments in an urban setting. That's not every company that's going to want that, but more and more companies are going to want that. So what are the kinds of investments we need to make, not just in Newark but in cities all throughout the state to ... make them bigger, stronger magnets for people and talent and private investments? Because companies follow the talent in the 21st century economy.