



INTERNATIONAL
ECONOMIC DEVELOPMENT
COUNCIL

amazon.hq2

International Economic Development Council (IEDC)

- Non-profit, non-partisan membership organization serving economic developers
- Economic developers promote economic well-being and quality of life for their communities
- IEDC members engaged wide variety of settings – governments, public-private partnerships, chambers of commerce, universities
- Members serve to:
 - Create high-quality jobs
 - Develop vibrant communities
 - Improve quality of life in the region

Process

- 14 month search
- Four major criteria
 - Metropolitan area with population > 1 million people
 - Stable and business-friendly environment
 - Urban or suburban location with potential attract talent
 - Communities think creatively when considering locations
- Amazon promised in return
 - 50,000 jobs with average annual compensation exceeding \$100,000
 - \$5 billion in investment
- 238 proposals were received
- Big considerations: East coast preference, Size, Jeff Bezos, data centers

The Top 20

- Atlanta, Georgia
- Austin, Texas
- Boston, Massachusetts
- Chicago, Illinois
- Columbus, Ohio
- Dallas, Texas
- Denver, Colorado
- Indianapolis, Indiana
- Los Angeles, California
- Miami, Florida
- Montgomery County, Maryland
- Nashville, Tennessee
- Newark, New Jersey
- New York, New York
- Northern Virginia, Virginia
- Philadelphia, Pennsylvania
- Pittsburgh, Pennsylvania
- Raleigh, North Carolina
- Toronto, Ontario
- Washington, DC

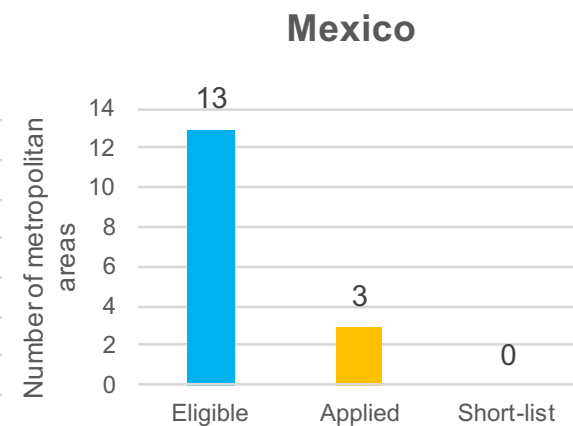
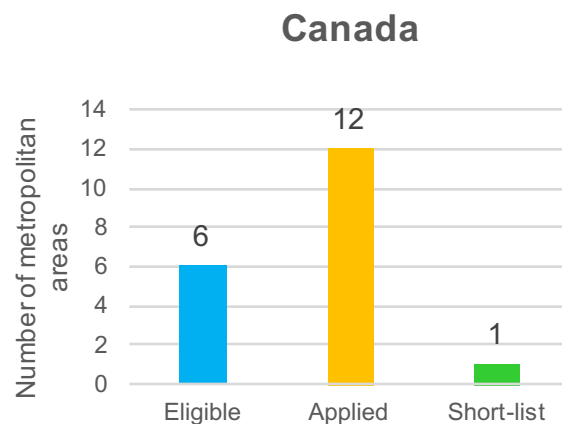
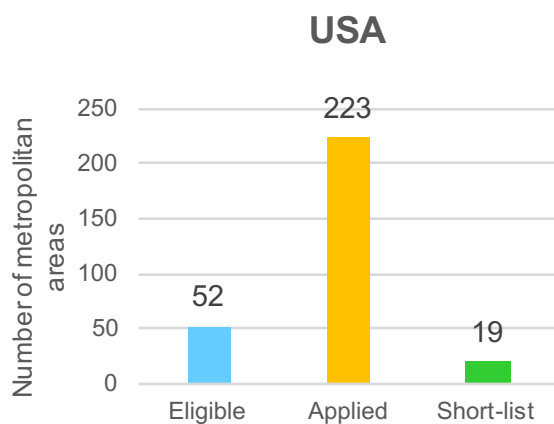


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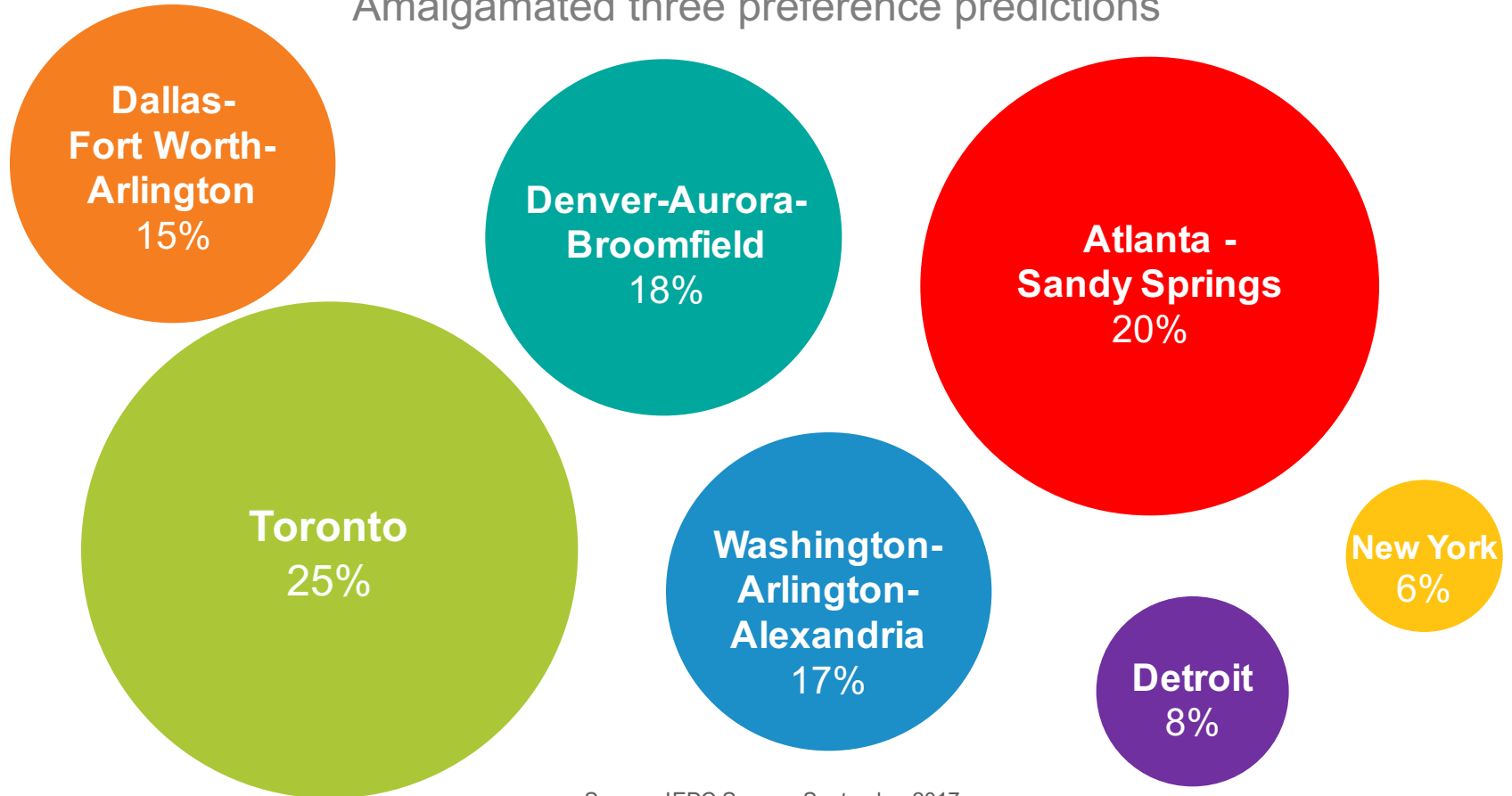


Eligible Metropolitan Areas



What the Economic Developers thought

Amalgamated three preference predictions



Source: IEDC Survey, September 2017

Detroit – the Dark Horse

- Big city
- Experienced disinvestment
 - Falling median income between 2000-2009
 - Fell from \$29,526 to \$26,098
- Dramatic decline population
 - Fallen over 1 million people past 60 years
- Amazon would be making a statement

New York City Deal

Amazon

- \$1.2 billion refundable tax credit
- \$325 million cash development grant
- \$897 million from REAP
- \$386 million from ICAP
- \$505 capital grant from NY State
- 50% property tax → PILOT program
- New school, startup incubator

New York

- 25,000 jobs (\$150,000+ salary)
- \$2.5 billion investment
 - 4M square-feet office space
- \$10 billion tax revenue
- 9:1 ratio of revenue to subsidies*
- 107,00 direct + indirect jobs
- \$5 million workforce development

New York City Deal

Arguments for

Develop tech startup environment

Jobs

Boost in revenues

Diversify economy

Incentives safeguarded

Arguments against

Overburdened transportation
infrastructure

Housing affordability

Opaque process

Critique of subsidies

Gentrification

Proximity to housing projects

Opportunity costs

Why New York?

- Large population and rich talent pool
 - 1.3 million workers fields of business, finance, math, PR, sales
 - 8.5 million population 2017
- Education
 - Collects students prestigious colleges e.g. Columbia University, Barnard College, NYU
 - 2016: NY third among all states for resident labor force held bachelor's, graduate or professional degree (Current Population Survey)
- Infrastructure
 - 8.5 – 26 million square feet space
 - Close to international airports e.g. JFK and LaGuardia
- Housing
 - Long Island City 41 new apartment buildings past 8 years
- Lifestyle benefits
 - Unique blend cultural institutions, arts organizations, housing, restaurants, bars, hotels

Virginia Deal

Amazon

- \$550 million grant paid contingent creation of promised 25,000 jobs
- Additional \$220 million if additional 12,850 jobs
- Arlington County pay \$23 million via grant
- Investment in higher education
- \$195 million infrastructure improvement funded by Commonwealth
- Improvements to Metro Stations
- Pedestrian Bridge
- \$28 million based on 12% of future property tax revenues

Virginia

- 25,000 jobs (\$150,000+ salary)
- \$2.5 billion investment
 - 4 million square feet of energy-efficient office space
 - Opportunity to expand to 8 million
- \$3.2 billion incremental tax revenue over the next 20 years

Virginia Tech and George Mason Universities

- \$1.1 billion investment
- Increase number of bachelor and master's degrees awarded in computer-science and related fields
- Construction Virginia Tech graduate campus adjacent to National Landing
- Funds directed to expand George Mason University's tech programs

Why Virginia?

- Availability of talent
 - Greater Washington is one of the most educated regions in the country – 49% of those 25 and older have at least a bachelor's degree
 - Existing cyber security and defense workforce
- Infrastructure
 - Close proximity to Reagan National Airport
 - Close proximity to Metro rail
 - 17 million square feet existing commercial space
 - 150 acres free for development
- Proximity to Congress
 - 15 minutes from Washington D.C.
 - Exert influence over antitrust regulation
- Data Center Alley
 - Heart of Amazon Web Services' physical network nearby
- Jeff Bezos
 - Purchased mansion
- Joint Enterprise Defense Infrastructure (JEDI) Contract
 - Worth \$10 billion over decade
 - Choose cloud-computing provider to store data
 - Positions Amazon well

Nashville: the accidental winner

Amazon

- \$65 million cash grant from state of Tennessee
- \$15 million cash grant from city of Nashville
- \$21.7 million tax credit

Nashville

- 5,000 jobs (\$150,000+ salary)
- \$230 million Amazon investment
- 1 million square feet energy-efficient office space
- Tax revenue more than \$1 billion over next 10 years

Considerations

- Garnered more media attention than any other economic development project
- Search provided opportunity for public officials to think seriously about their localities' economic development strategy and general sales approach

Did cities have a good reason to compete?

- Offered aggressive incentive packages
- Incentives offered under strict seal of privacy
- Critical data grants Amazon
- Free-for-all process produces more losers than winners
- Made economic development experts from people who had no clue
- No firm parameters
- No anticipation of the pushback on incentives and no understanding provided on why they were required in the first place

New York City breakup

- Rumors Amazon to bypass uniform land use review procedure
- Politicians e.g. Alexandria Ocasio-Cortez heavily scrutinized deal
- Protests held voicing concerns about use public incentives
- NYCEDC facilitated two hearings – revealed some strong opponents to plan
- Quinnipiac University Poll (Dec 2018): 57% for – 26% against
HarrisX Poll (Jan 2019): 68% for – 19% against
Sienna College Poll (Feb 2019): 56% for – 36% against

New York City breakup



Jeff Finkle, CEcD • 1st

President, International Economic Development Council

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25,000 jobs is a lot of jobs to lose. Whether \$3 billion is too much of an incentive is open to debate and probably should be, but how does AOC replace these jobs. And by the way there is no \$3 billion available to spend on other things, much of this was taxes Amazon would not have been paying. A reduction of their burden. She needs to be careful about creating fairy dust, thinking there was \$3 billion to spend on other things.

64,000 views

Will Virginia breakup?

Difficult to find any imminent threats to Amazon in the Virginia community

1. Politicians are aligned
2. No labor unions are against the deal in a sizable way
3. No coalesced community opposition
 - Amazon entering community lost many jobs when D.O.D pulled out of Crystal City
 - Represents opportunity for community to have vibrant future

Data

Collected data	
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1	Incentives and timetable for their approval
2	Labour costs by job category
3	Living expenses
4	Talent pools
5	Travel and logistics information
6	Housing data

How will Amazon use this data?

- Use the information from the process when considering opening new facilities, such as warehouses and smaller corporate offices.
- Pinpoint where the best talent is located in the United States.
- Target product advertisement

 *Competitive advantage*

Incentives debate

- Unusually open process Amazon promoted for HQ2 pushed the incentives debate into the spotlight
- Still however largely opaque process
- Mega-deals aside, incentives almost never influence the decision because they can't. They're often just too small.
- On average, state and local taxes amount to only 1.2% of the company's costs.
- Incentives only played a role in the decision process in 13% of cases (The Upjohn Institute, 2017)
- In 2015 alone, tax incentives represented \$45 billion in lost tax revenue across the US (The Upjohn Institute, 2017)
- Amazon likely already knew where they were going to select

Summary

- 238 proposals → 20 short-listed → Amazon HQ2 to be split into 2
- Long Island City, New York
 - \$1.2 billion refundable tax credit
 - With other incentives, total almost \$3 billion
- National Landing, Virginia
 - \$550 million incentive could increase to over \$750 million
 - \$1.1 billion investment in Virginia Tech and George Mason Universities
- Garnered more media attention than any other economic development project
- New York City breakup
- Questions for Amazon
 - How will they use the data they collected?
 - Were the incentives too much?
 - Did Amazon already know where they were going?