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opportunity for the mega-corporation to broker a new deal with the city and state

By RICHARD FLORIDA
FEB 08, 2019 | 8:39 PM



Cushion the Amazon impact on Long Island City. (Luiz C. Ribeiro for New York Daily News)

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second headquarters or HQ2, rumors are now swirling that the company may back out of its Long Island City location due to mounting opposition from state Sen. Mike Gianaris, City Council members, Rep. Alexandria Ocasio-Cortez, and neighborhood activists.

“The question is whether it’s worth it if the politicians in New York don’t want the project, especially with how people in Virginia and Nashville have been so welcoming,” someone familiar with the deal told the Washington Post, which initially broke the story on Friday.

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It would be a disaster for Amazon’s brand to pull out of New York, showing that the

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business.

Instead it should make things right, by turning back the lavish incentive package promised by the city and state and pledging to be a good corporate citizen that will pay its fair share of taxes and contribute to affordable housing, workforce development and improving the city's decaying transit system.

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To those of us who followed the HQ2 process, it was clear from early on that Amazon had to expand its footprint in New York City. Back when the dominant internet retailer and tech giant launched its search for the home of its so-called second headquarters, I asked my NYU colleague Scott Galloway which city he thought they would pick.

Galloway, who literally wrote the book on Amazon and big tech (“The Four: The Hidden DNA of Amazon, Apple, Facebook, and Google”), didn’t miss a beat. Amazon has three choices, he said: “New York, New York and New York.” I thought it would more likely be Washington, because of the political leverage it would afford to its CEO and principal owner, Jeff Bezos, who also owns the Washington Post.

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build one headquarters in Northern Virginia's Crystal City, and the other in Long Island City, Queens.

It makes perfect sense: A company with Amazon's world-beating ambitions requires a major presence in those global political and financial centers.

Where New York is concerned, Amazon's decision was foremost about talent; the company said tax incentives played a role, but talent obviously mattered most. Even before its HQ2 search was launched, one of its top executives said at a tech conference that many of the people the company will need to hire in the future won't want to live in the Pacific Northwest. New York City in particular has the deep pool of talent that Amazon is looking for.

And what they were after is a very unique and specialized type of talent that can only be found in New York City in the United States (and maybe only London outside of it). To grow a world-straddling corporation, you need management, financial, business and media expertise, which New York has in spades.

Indeed, the New York metropolitan area houses more headquarters of Fortune 500 corporations than any other city in the U.S. and the world — 70 of them, twice as many as the runner-up metro, the San Francisco Bay area, according to statistics my research team and I have compiled.

New York has also grown its tech talent. In fact, a recent report named New York the world's No. 1 tech city, outdistancing even San Francisco.

The city is a leading start-up hub too. With more than \$11 billion in venture capital investment each year, my own research places New York in second place in the United States for its share of venture capital, behind San Francisco, most of it in and around lower Manhattan. And it will soon have much more, thanks to Cornell Tech.

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The problem is not so much that the Amazon chose New York City, where it very much needs to be, it is that it used the HQ2 process to pile up billions in taxpayer-finance incentives, including \$1.2 billion in city incentives that are as-of-right, which is to say any other company creating new jobs in Long Island City would have gotten them; and an additional \$1.7 billion in state money, including Excelsior Job Program benefits that the company may or may not otherwise have won. It is also enabling special zoning to make the construction of its campus possible, and up to \$505 million in cash grants to help the company build using union labor.

Gov. Cuomo acts as though none of this matters because Amazon only gets help after it pays taxes to the state — and those taxes paid will be, according to his calculations, nine times higher than the benefits.

But even that doesn't justify billions in foregone tax dollars to land and keep a massive corporation that should be paying full freight. And such giving such public largesse to such a huge, successful corporation understandably provokes the ire civic and political activists.

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Being such a superstar city, with so much talent and so many headquarters, startups, talented people and world-class amenities of every kind, why would the New York have offered Amazon such a package of incentives?

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political scientist Nathan Jensen. Mayors and governors like to look good to voters, so they offer companies incentives to send voters a signal that they will do whatever it takes to land the big corporate prize.

Yet according to a new survey of the nation's mayors, more than 60% say that *other* cities offer too much in the way of incentives, which forces their hands. Since other cities are offering companies big incentives, they have to do it too if they want to stay in the game, and not look like patsies to their voters.

I came to face with this dysfunctional and costly political reality myself, when I tried to organize the mayors of the 20 cities that were on Amazon's shortlist to declare a mutual nonaggression pact.

Not only should they refuse to offer Amazon a penny in tax breaks and incentives, I said; they should demand that Amazon engage with them as a partner to address the burdens its headquarters would impose on their cities in the form of mounting housing costs, traffic congestion and economic inequality.

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Not one signed on. Even the avowedly progressive mayors of liberal cities, like New York's Bill de Blasio, LA's Eric Garcetti, Pittsburgh's Bill Peduto, Washington's Muriel Bowser and Newark's Ras Baraka were so driven to get Amazon to come to their cities, they wouldn't rule out offering incentives. And some states went far beyond

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“Anything...I can think of that’ll get us over the top,” declared Andrew Cuomo. “I’ll change my name to Amazon Cuomo if that’s what it takes.”

In the face of mounting political pressure, it is time for the city and state to sit down with Amazon and with representatives of the neighborhood and rewrite the terms of the mega-deal.

For its part, Amazon should say it does not want any tax-payer draining incentives (which are rounding error for a nearly trillion-dollar company) and pledge to be a good corporate citizen, contributing its full freight in taxes and working closely with its new neighborhood, the city and state to address mounting problems of housing affordability, inequality and transit upgrading.

The backlash to Amazon reflects the basic reality that the city and state need this money to address the serious problems of housing affordability, inequality and a decaying subway system. These are the key dimensions of the city’s “new urban crisis” — a crisis which is the reverse image of the old urban crisis of the 1960s, 70s and 80s.

That was a crisis of urban dysfunction and failure, as businesses, people and entire industries abandoned the city for the suburbs and the Sun Belt. The city hollowed out and was verging on complete physical and economic collapse. By October 1975, when President Gerald Ford denied the city the federal assistance it had requested to stave off bankruptcy — “Ford to City: Drop Dead,” this paper’s headline famously read — New York City very nearly was.

This new urban crisis the city faces today is a product of its unbelievable economic renaissance.

Housing prices have escalated, gentrification in neighborhoods like Long Island City is occurring on steroids, and the city has become incredibly unequal, even in the face of policies rolled out by a mayor who won two terms based on the promise of closing

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people — even successful ones, with high-paying jobs and the ability to own their own home. The city's artists and musicians, who did so much to spark the revival, are now decamping for more affordable places in Jersey City across the river. Those super-tall towers along the city's new billionaires' row on 57th St. are the physical manifestation of its crushing inequality.

If Amazon is willing to pay its full freight and be a good corporate citizen investing in its new hometown's future, it should be welcomed with open arms. Google, after all, is on-line to create nearly as many jobs in the city, with a fraction of the incentives. And most of the mom-and-pop business that Amazon is putting out of business are getting nothing.

The bottom line is this: Amazon needs New York much more than New York needs Amazon. The city has enough momentum, enough talent, enough jobs, enough of a finance sector, enough of a real estate industry, enough of a startup sector, and enough of a media industry to keep on growing and growing, with or without Amazon.

Call the company's bluff.

Florida is a professor at University of Toronto's School of Cities and the Rotman School of Management, a distinguished fellow at NYU's Schack Institute of Real Estate. He was an outside adviser to Kansas City's initial bid for Amazon's second headquarters.

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Democratic Alabama Senator Doug Jones called for a newspaper editor to resign after publishing a "disgust..racist, hateful" editorial in which he called for the Ku Klux Klan to return to the state.

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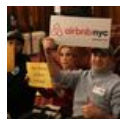
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