

Amazon's exit could scare off tech companies from New York

15 February 2019, by Michael R. Sisak And Josh Boak



In this Nov. 7, 2018, file photo a couple walks along Four Freedoms State Park on Roosevelt Island in the Queens borough of New York. Beyond is the Long Island City skyline. According to experts analyzing the e-commerce giant's sudden cancellation of plans to build a massive headquarters in New York City, Amazon's decision to walk away could scare off other tech companies considering moving to or expanding in the city. (AP Photo/Mark Lennihan, File)

Amazon jilted New York City on Valentine's Day, scrapping plans to build a massive headquarters campus in Queens amid fierce opposition from politicians angry about nearly \$3 billion in tax breaks and the company's anti-union stance.

With millions of jobs and a bustling economy, New York can withstand the blow, but experts say the decision by the e-commerce giant to walk away and take with it 25,000 promised jobs could scare off other companies considering moving to or expanding in the city, which wants to be seen as the Silicon Valley of the East Coast.

"One of the real risks here is the message we send to companies that want to come to New York and expand to New York," said Julie Samuels, the

executive director of industry group Tech: NYC. "We're really playing with fire right now."

In November, Amazon selected New York City and Crystal City, Virginia, as the winners of a secretive, yearlong process in which more than 230 North American cities bid to become the home of the Seattle-based company's second headquarters.

New York Mayor Bill de Blasio and Gov. Andrew Cuomo heralded the city's selection at the time as the biggest boon yet to its burgeoning tech economy and underscored that the deal would generate billions of dollars for improving transit, schools and housing.

Opposition came swiftly though, as details started to emerge.

Critics complained about public subsidies that were offered to Amazon and chafed at some of the conditions of the deal, such as the company's demand for access to a helipad. Some pleaded for the deal to be renegotiated or scrapped altogether.

"We knew this was going south from the moment it was announced," said Thomas Stringer, a site selection adviser for big companies. "If this was done right, all the elected officials would have been out there touting how great it was. When you didn't see that happen, you knew something was wrong."

Stringer, a managing director of the consulting firm BDO USA LLP, said city and state officials need to rethink the secrecy with which they approached the negotiations. Community leaders and potential critics were kept in the dark, only to be blindsided when details became public.



In this Nov. 7, 2018, file photo traffic moves along 44th Drive in Long Island City in the Queens borough of New York. According to experts analyzing the e-commerce giant's sudden cancellation of plans to build a massive headquarters in New York City, Amazon's decision to walk away could scare off other tech companies considering moving to or expanding in the city. (AP Photo/Mark Lennihan, File)

"It's time to hit the reset button and say, 'What did we do wrong?'" Stringer said. "This is fumbling at the 1-yard line."

Amazon said in a statement Thursday that its commitment to New York City required "positive, collaborative relationships" with state and local officials and that a number of them had "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."

Not that Amazon is blameless, experts say.

Joe Parilla, a fellow at the Brookings Institution's Metropolitan Policy Program, said the company's high-profile bidding process may have stoked the backlash. Companies usually search for new locations quietly, in part to avoid the kind of opposition Amazon received.

"They had this huge competition, and the media covered it really aggressively, and a bunch of cities responded," Parilla said. "What did you expect? It gave the opposition a much bigger platform."

Richard Florida, an urban studies professor and

critic of Amazon's initial search process, said the company should have expected to feel the heat when it selected New York, a city known for its neighborhood activism.

"At the end of the day, this is going to hurt Amazon," said Florida, head of the University of Toronto's Martin Prosperity Institute. "This is going to embolden people who don't like corporate welfare across the country."

Other tech companies have been keeping New York City's tech economy churning without making much of a fuss.

Google is spending \$2.4 billion to build up its Manhattan campus. Cloud-computing company Salesforce has plastered its name on Verizon's former headquarters in midtown, and music streaming service Spotify is gobbling up space at the World Trade Center complex.



In this Nov. 16, 2018, file photo the Queensbridge Houses sit beneath the Ed Koch Queensboro Bridge, upper right, in New York. According to experts analyzing the e-commerce giant's sudden cancellation of plans to build a massive headquarters in New York City, Amazon's decision to walk away could scare off other tech companies considering moving to or expanding in the city. (AP Photo/Mark Lennihan, File)

Despite higher costs, New York City remains attractive to tech companies because of its vast, diverse talent pool, world-class educational and

cultural institutions and access to other industries, such as Wall Street capital and Madison Avenue ad dollars.

No other metropolitan area in the U.S. has as many computer-related jobs as New York City, which has 225,600, according to the Bureau of Labor Statistics. But San Francisco, San Jose, Seattle, Washington, Boston, Atlanta and Dallas each have a greater concentration of their workers in tech.

In the New York area, the average computer-related job pays roughly \$104,000 a year, about \$15,000 above the national average. Still, that's about \$20,000 less than in San Francisco.

Even after cancelling its headquarters project, Amazon still has 5,000 employees in New York City, not counting Whole Foods.

"New York has actually done a really great job of growing and supporting its tech ecosystem, and I'm confident that will continue," Samuels said. "Today we took a step back, but I would not put the nail in the coffin of tech in New York City."

Follow Sisak at www.twitter.com/mikesisak and Boak at www.twitter.com/joshboak.

Boak reported from Washington. Associated Press writers Bernard Condon in New York and Chris Rugaber in Washington contributed to this report.

© 2019 The Associated Press. All rights reserved.

APA citation: Amazon's exit could scare off tech companies from New York (2019, February 15) retrieved 26 June 2019 from <https://phys.org/news/2019-02-amazon-exit-tech-companies-york.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.