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THE NEW YORK TIMES

Why Amazon Chose the Wrong Locations for Its HQ2

November 15, 2018

So, the Amazon bragging rights go to New York City and the Washington, D.C., area. Why do I feel a little deflated?

Amazon's choices for its secondary headquarters should be mostly good news for a New York City resident and frequent Washington visitor like me. New York's airports, bridges, highways and tunnels may finally get the capital investment they desperately need. Maybe we'll even get high-speed rail to Washington.

Long Island City, the Queens neighborhood that Amazon picked, will become a high-tech Brooklyn, with a bevy of new farm-to-table restaurants, craft cocktail watering holes and, naturally, the artisanal coffee roasters already ubiquitous in Seattle, all just a subway stop from Manhattan.

True, there may be more congestion, higher condo prices and other unwanted side effects, but a metropolitan area the size of New York shouldn't have any trouble absorbing an additional 25,000 people.

And I guess that's the source of my disappointment: For all the transformative potential of Amazon's nationwide "HQ2" competition, neither New York City nor Washington (nor, to be precise, the Northern Virginia neighborhoods that are being rechristened National Landing) needed Amazon. They're already thriving and bustling with affluent, well-educated millennials.

As Tom Stringer, head of site selection for the business consulting firm BDO, told me this week, Amazon's choice "only reaffirms and cements the idea that we have two countries right now, the coasts and the interior."

Even a large, sophisticated Midwestern city like Chicago would at least have been a nod toward America's heartland.

Picking one of those cities — or one that didn't advance to Amazon's final round, like Detroit, St. Louis or Cleveland — would have been transformative. And not just for those cities, but as an affirmation that there are great places to live in America that don't offer ocean views and \$3,000-a-square-foot condos.



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"There are smaller cities in this country that are incredible places to live," Mr. Stringer said. "They're great places to raise families, they're affordable, and they're fun."

In its initial request for proposals, Amazon emphasized many of those qualities, ranking costs second on its list of priorities. That led pundits to eliminate New York, San Francisco, Boston and Washington, all of them among the most expensive places to live or do business, according to KPMG's annual Competitive Alternatives survey.

Among Amazon's finalists, Pittsburgh, Philadelphia and Chicago had some of the lowest costs.

Of course, the potentially multibillion-dollar tax incentives that New York and Northern Virginia are lavishing on Amazon help compensate for the locations' high costs. But presumably other cities dangled big tax breaks, too.

"Labor force" ranked third on Amazon's list of criteria, but in the end, it seemed to be determinative. It was the first thing that Jeff Bezos, Amazon's chief executive, mentioned when he announced the winners: "These two locations will allow us to attract world-class talent that will help us to continue inventing for customers for years to come."

That, in part, reflects the same self-reinforcing tendencies that are driving creative, well-educated workers to the two coasts, with just a handful of high-tech, hipster enclaves (like Austin, Tex., and Denver, two Amazon finalists) in between.

"There's a herding instinct," Mr. Stringer said. "People in creative fields — medical research and technology, law, financial services — they all want to be in the same mix. That's what makes them good. And for companies, their value-added quotient is rare, and it's what everybody wants."

It's not Amazon's obligation to help heal the growing divide between red and blue America. In holding the competition, it generated tremendous publicity, mostly favorable, and attracted enormous financial incentives, all of which will benefit Amazon's shareholders. At the same time, the company, and Mr. Bezos in particular, might have considered that Amazon's success has hollowed out aging downtowns and shopping malls across America, and that having at least one headquarters away from the coasts might have generated considerable political good will.

So where does that leave the heartland?

All isn't lost. After reaching a nadir in the past decade, Detroit is staging a comeback, building on its automotive roots and attracting a new wave of hotels, restaurants and entertainment options. Communities away from the coasts shouldn't be trying to lure the Amazons and Googles — already huge and well-established companies, Mr. Stringer said. They need to emphasize their strengths and incubate the Amazons of the future.

THE WALL STREET JOURNAL

Amazon, Google Poised for Race to Hire High-Tech Talent

November 13, 2018

In the fight for tech talent, Amazon seeks more engineers who know Java, while Google is going after Python users

Amazon.com Inc. and Alphabet Inc.'s Google are planning to recruit thousands of employees in New York City, pitting the two behemoths against one another and other businesses for already-scarce talent in the area.

Amazon will bring more than 25,000 jobs to New York and another 25,000 to Northern Virginia, it announced Tuesday. Google, meanwhile, plans to double its workforce in New York City to more than 14,000 workers over the next ten years, its chief financial officer said Monday at The Wall Street Journal's WSJ Tech D.Live conference.

The competition for talent will be stiff, recruiters say. But the two companies each have some distinct requirements that set them apart from other employers—and from each other, according to an analysis that labor-analytics firm Burning Glass Technologies conducted for the Journal. For example, the companies favor different coding languages and technical approaches for software projects.

Amazon declined to comment on its specific hiring plans in New York. A Google spokesperson didn't respond to requests for comment. Burning Glass analyzed jobs each company posted over the past 12 months. Of the more than 42,000 jobs Amazon listed, the highest concentration were in three occupations—software-development engineers, software-development managers and so-called solutions architects.

Among the 14,000 jobs Google posted over the same period, the three most in-demand roles were for software development engineers, program managers and marketing managers.

Amazon wants more software engineers who are well-versed in the coding languages Microsoft C# and Java. It also is seeking pros who have experience using a technical approach called object-oriented analysis and design and—not surprisingly—Amazon Web Services, the company's unit that hosts other firms' data in the cloud.

Google, on the other hand, wants more people with Linux and JavaScript knowledge. Both companies covet employees skilled in the programming language Python, which is often used for big-data projects. But 62% of Google's job postings for software engineers ask for that skill, compared with 36% for Amazon. Nationally, only 19% of employers' job ads ask for Python.

More than a fifth of Amazon and Google software engineer job postings sought machine-learning skills, compared with less than 3% nationally. And 63% of both firms' ads sought engineers who know the C++ language, often used for building applications and operating systems, compared with 13% nationwide.

Amazon's long search for a new headquarters location — dubbed HQ2 — might be better-named HQ squared. With 50,000 jobs and \$5 billion in investments at stake, here's a look at the great lengths cities went to woo the tech giant, and why Amazon ultimately settled on two locations.

Amazon originally said it would locate a second headquarters in a single location for 50,000 workers. But the company now plans to split its second hub between New York City and a Northern Virginia suburb of Washington, D.C., to ensure it has the best access to technology talent across multiple regions.

"These two locations will allow us to attract world-class talent that will help us to continue inventing for customers for years to come," Amazon's founder and chief executive Jeff Bezos said in a statement.

Amazon's New York office will be in the Queens neighborhood of Long Island City. In Virginia, it chose the Crystal City area of Arlington, just outside Washington, D.C. Burning Glass found that these metro areas have an above-average share of workers who are software developers. By that measure, the nation's capital has an edge, most likely because of the many military and government contractors in the region.

But New York is likely to have a higher number of prospective hires, Burning Glass found, using total jobs postings for software engineers in the city as a proxy. Only the Bay Area beats New York in terms of numbers of software engineers, the analysis found.

Expanding in New York suggests Amazon and Google are more concerned about having access to thousands of potential employees rather than fostering an urban tech scene that might be more important to newer, smaller companies, said **Tom Stringer**, head of the site selection and business incentives practice at consulting firm BDO USA.

Smaller cities such as Austin, Texas, have been successful in creating a tech culture that entrepreneurs gravitate toward, **he** said. In those places, younger companies can make business connections at cafés, the gym or a local university. *"It's really the only way these smaller companies can."*

"With bigger companies, it's about growing to scale," he said. "The attraction to New York is the volume of people with diverse skill sets."

THE NEW YORK TIMES

A \$2 Billion Question: Did New York and Virginia Overpay for Amazon?

November 13, 2018

Amazon built a retail empire on low prices and free shipping. But for taxpayers, its new headquarters didn't come cheap.

New York and Virginia collectively offered more than \$2 billion in tax credits, rebates and other incentives to attract the company. That figure doesn't include what could amount to hundreds of millions of dollars in infrastructure spending, worker training and other government assistance.

Economists have long criticized tax incentives as inefficient and unnecessary, arguing that they pit cities or states against each other and leave less money for education and public works that ultimately do more to lift local economies and improve livelihoods. Research has shown that incentives play at most a small role in corporate decisions, meaning governments often end up paying businesses to do what they would have done anyway.

Indeed, in selecting New York and Virginia for its new locations, Amazon turned down seemingly richer offers just next door. Maryland and New Jersey each offered multibillion-dollar incentive packages that dwarfed the ones Amazon accepted.

"An additional \$7.5 billion in subsidies wasn't enough to get Amazon to move across the river," said Michael Farren, an economist at the Mercatus Center, a libertarian think tank, referring to the difference between Maryland's offer of \$8.5 billion and Virginia's of less than \$1 billion. "That just says that subsidies were never what mattered in the first place."

In its announcement on Tuesday, Amazon said that "attracting top talent was the leading driver" of its decision. Incentives were "one factor," it said, but a secondary one.

New York's incentive package is much larger than Virginia's. Amazon promised to create about 25,000 jobs at each location, but New York offered twice as much as Virginia did.

"That's the first thing we said," said Maria Doulis, vice president of the nonpartisan Citizens Budget Commission, which has offices in New York City and Albany. "We're like, 'Wait, you're splitting this down the middle — why does it look like we're paying so much?'"

New York promised Amazon \$1.525 billion in incentives, including \$1.2 billion over the next 10 years as part of the state's Excelsior tax credit. The state also pledged to help Amazon with infrastructure upgrades, job-training programs and even assistance "securing access to a helipad" — none of which came with a price tag.

Virginia promised Amazon an incentive package worth \$573 million, including \$550 million in cash grants — \$22,000 per job. The state also pledged \$250 million to help Virginia Tech build a campus in Alexandria, near the Amazon site in Arlington, offering degrees in computer science and software engineering. (Virginia, too, offered to help the company get a helipad.)

New York has a history of offering generous incentive packages, including a 2007 deal for subsidized electricity to keep an Alcoa plant that was worth \$5.6 billion over 30 years, according to Good Jobs First, which tracks corporate subsidies.

On a per-job basis, New York's offer to Amazon is about typical for the state but well above the national average for such deals, said Timothy J. Bartik, an economist for the Upjohn Institute in Kalamazoo, Mich., who has studied tax incentives.

"New York's following its usual practices," Mr. Bartik said. "It hands out a lot of hefty incentives, a lot of long-term incentives."

Gov. Andrew Cuomo defended the deal, arguing that New York has to offer incentives because of its comparatively high taxes. At 6.5 percent, New York's corporate income-tax rate is only modestly higher than Virginia's 6 percent, according to the Tax Foundation. But other business and individual taxes are higher in New York.

"It's not a level playing field to begin with," Mr. Cuomo said in an interview Tuesday. "All things being equal, if we do nothing, they're going to Texas."

Amazon's New York site could also qualify for federal tax breaks under the tax law passed by Republicans late last year. That law created a program to encourage development in so-called opportunity zones, including parts of Long Island City.

New York City did not offer any special tax breaks to Amazon as part of the deal. But the company will be able to take advantage of existing city tax credits, including a program designed to encourage companies to create jobs outside the busiest parts of Manhattan. The program, open to all companies, could be worth as much as \$900 million to Amazon over 12 years, on top of the state incentives.

Ms. Doulis, of the Citizens Budget Commission, said that credit and similar ones might have outlived their usefulness. In the 1980s and '90s, she said, companies were taking a risk by expanding in Queens or Brooklyn, and tax breaks provided an important inducement. But today, Long Island City is a rapidly developing neighborhood full of hip bars and luxury apartment complexes.

"That neighborhood was very different 25 years ago," she said. "We're in a very different world now."

Still, Ms. Doulis said Amazon's arrival was a major coup for the city, which has been trying to establish itself as a tech hub to rival Boston, Seattle and even Silicon Valley. Mr. Cuomo and Mayor Bill de Blasio on Tuesday said Amazon's decision was a vindication of that strategy, which the mayor said would benefit all New Yorkers.

Tom Stringer, who advises companies on site-selection decisions for the consulting firm BDO, said high-cost places like New York and Virginia needed to offer incentives to compete with cheaper areas. And he said the deals would pay off in the long run in jobs and tax revenues.

"Incentives are not subsidies," Mr. Stringer said. "They are investments."

But it isn't clear they are good investments, said Jay Shambaugh, director of the Hamilton Project at the Brookings Institution. In offering incentives to Amazon, he said, New York and Virginia are effectively subsidizing a big, incumbent company at the expense of local businesses and start-ups. That is especially concerning, he added, when entrepreneurship rates are falling and cities are struggling to nurture homegrown businesses.

THE WASHINGTON POST

Cities left out of the Amazon sweepstakes grapple with what might have been

November 15, 2018

BALTIMORE — What could have been.

"It could've changed the city," developer Marc Weller said.

He sat in a quiet conference room not far from Port Covington, the waterfront industrial space on Baltimore's south end pitched as the perfect home for Amazon's second headquarters. A year ago, this same conference room brimmed with civic leaders giddy over Amazon's open casting call for any North American big city to audition for a once-in-a-generation role. Baltimore was all in. So were dozens of other cities.

It didn't feel like the usual corporate site selection process. It seemed like Amazon wanted to make a real statement with what was known as HQ2. Why else stage such a peculiar and public spectacle?

And then Amazon announced this week HQ2's 50,000 high-paying jobs would be split between Crystal City, outside Washington, and Long Island City, in New York.

"The usual suspects," Weller said, "and they don't need an Amazon."

Not like Baltimore does. Or Philadelphia. Buffalo. Charlotte, even. Or Detroit.

"In hindsight," Weller said, "it feels like we were never in the running."

The 236 cities that failed to capture Amazon's eye are facing renewed insecurities about their ability to compete for the so-called knowledge jobs that will drive the country's future economic growth. Some have suggested the losing pitches were good training for the next big deal. Others hope that Amazon might use the data-rich bid documents to locate other projects. That's apparently what happened with Nashville, which walked away Tuesday with a promise of 5,000 new Amazon jobs.

But Amazon's hunt was unnerving for many cities. The final decision to go with two fast-growing coastal hubs only highlighted worries about the modern economy's winner-take-all dynamic.

"This is a 'rich get richer' story," said Stephen Walters, an economics professor at Loyola University Maryland. "And it raises a big question for these other cities: How do you get into that league?"

It won't be easy. Amazon's decision highlights the apparent moth-like attraction of tech jobs and the pressure on companies to make expansion decisions that are safe investments. (The Washington Post is owned by Amazon CEO Jeffrey P. Bezos.)

"I think Amazon was being sincere," Tom Stringer, who heads the site selection practice for business consulting firm BDO, said of the hunt for new office space. But the odds were stacked against less obvious cities because of HQ2's immense scale. Amazon has a responsibility to shareholders to reduce its risk, Stringer said. Indeed, placing the new headquarters in a city that couldn't handle it could lead to failure.

In the last five years, tech firms located in the top headquarter markets of Silicon Valley, Seattle, Boston and New York tended to add new office space in these same markets or a handful of other popular cities such as Chicago and Austin, according to a recent report by commercial real estate research firm CBRE. Right now, Google is said to be looking at adding more than 10,000 tech jobs in New York City.

Amazon's decision shows the premium placed on luring workers.

"They are picking talent to grow revenue above all else," Stringer said, "and it turns a lot of the arguments about economic development incentives on their head."

Some of the cities left out expressed frustration with Amazon's decision — and it was not just sour grapes, they said. It had to do with how the tech giant handled the process, the feedback they got and, in the end, a decision that they said appeared to betray the entire purpose.

BLOOMBERG

Snubbed by Amazon, Newark Pins Its Hopes on Landing the Next Prize

November 13, 2018

When Amazon.com Inc. started its search for a second headquarters, Newark offered \$7 billion in incentives, proximity to New York City, and the chance to play a starring role in the rebirth of an impoverished city.

Now Newark, a gritty New Jersey shipping hub where the population peaked in 1930, is looking in another direction, along with more than a dozen other finalists that lost out.

The company ended its site-selection process on Tuesday, announcing it will open new office hubs in northern Virginia, and New York's Long Island City. The plans would create 25,000 jobs each in two places that are already known for being expensive and congested, but also stocked with the types of highly educated, well-compensated workers Amazon wants to employ. Amazon also said it would add 5,000 jobs in downtown Nashville.

"It was quite possible for Amazon to do something heroic here," said Jay Biggins, principal at Biggins Lacy Shapiro & Co., which consults on site-selection projects. "They almost could have put it anywhere and achieved success and achieved the mission, which was attracting talent."

Instead, Amazon chose the two largest metros on the East Coast, demonstrating the challenge that smaller markets face in attracting blue-chip employers.

Rich Get Richer

"We were hoping Amazon would fit right into our broader corporate community, but if it's not them, we're ready, willing and able to attract other large corporations," said Aisha Glover, president of the Newark Community Economic Development Corp. "We're taking this pitch on the road, making sure that folks understand why we landed on the short list in the first place. This was not an anomaly."

The first step for Newark and the other losers is to reflect on why they were found wanting, said **Tom Stringer**, who works on corporate relocations as a managing director at consultancy BDO. Then local leaders can decide whether it's worth investing in improvements needed to court the next major company, or if they're better off going after smaller employers. Smaller cities tired of losing to larger rivals can pursue other strategies, like focusing on attracting investments around research universities, or pursuing jobs that don't require cutting-edge skills or advanced degrees, said Mark Muro, policy director at the Brookings Institution's Metropolitan Policy Program.

"Places need to push back much more aggressively" to avoid getting left behind by bigger cities," said Muro. "Going with the flow will not lead to a good outcome for any of these places."

From the moment Amazon announced its plans to open a second headquarters in September 2017, the search for an HQ2 has functioned as a referendum on U.S. cities. That's partly because of the size of the project, which initially called for a \$5 billion investment in a single site that would eventually employ 50,000 workers, and partly because the company conducted the search in public, turning its requests for proposals into a decoder ring for urban spaces.

Amazon Criteria

Amazon wanted strong schools, good transportation, high quality of life and deep pools of digital and professional talent -- though it didn't specify how much weight it would give to each. Two-hundred thirty-eight proposals were submitted, giving observers the chance to bet on the values Amazon would put on economic incentives, cheap housing, geographic diversity and established pools of tech talent

From early on, the competition has been producing losers -- from cities that attracted attention for overzealous proposals to those that became subject to unflattering comparisons. Tucson, Arizona, shipped Amazon a 21-foot-tall cactus as part of its proposal, only to have the company mark the gift return to sender. When Amazon cut its list down to 20 cities, places like Charlotte and Detroit were left wondering what Columbus and Nashville had that they didn't.

The flip side is that cities that made Amazon's long list of finalists could claim, with at least some credibility, that they gained enough exposure from the highly publicized process to make the adventure a success.

The Indianapolis Chamber's Maureen Krauss: "Being in Amazon's top 20, we are winners." Toronto Mayor John Tory: "This process was worth approximately \$143 million in advertising value for our region." Bob Swindell, president of the Greater Fort Lauderdale, Florida, Alliance: "If the Amazon search leads even one more business to take a good look at Broward County, then that makes the past year well worth it."

Dallas Touchdown

Dallas also touted the process as a "win" for the region, regardless of the outcome.

"We did a lot of work to galvanize our story around tech," said Mike Rosa, senior vice president for economic development at the Dallas Regional Chamber. "We know it's strong here, and we made sure to fortify that and rally our universities. A lot of that is just intuitive now and comes out in conversations we have with other companies."

Other cities might decide that missing out on Amazon is good news. The company could get more than \$1.5 billion in direct incentives, based on creating 25,000 jobs in Long Island City, and another \$573 million from Virginia. The losers won't have to pay those tabs, and it won't have to deal with traffic congestion or increased housing prices.

An Amazon hub would have spurred on Austin's aspirations as a Texan tech mecca, but it also would have overwhelmed the city's workforce and infrastructure, said Jon Roberts, principal of TIP Strategies, an economic development consultancy.

"A partial HQ2 (25,000 new jobs) in Austin would still have stretched the market beyond its current capacity," Roberts said.

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