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Florida on Amazon Bidding War

Patience Fairbrother (DCI): Amazon HQ2, a search to locate a second headquarters for Jeff Bezos' forward-thinking company has put slight selection in economic development in the national spotlight. So the latest chapter began on January 18th when the company announced 20 finalist cities.

Andy Levine (DCI): As the search moves into this new phase, one thought leader in urban affairs is sounding an alarm bell in encouraging the top competitors to form a non-aggression pact and say no to an approaching bidding war. We talk to him in this special episode of "The Project." So, welcome to Amazon Mania and the special episode of "The Project: Inside Corporate Location Decisions." I'm Andy Levine of Development Counsellors International.

Patience: And I'm Patience Fairbrother, also with DCI and Andy's cohost of "The Project." So, Andy, our special guest this week is Dr. Richard Florida, and you had the chance to sit down with him just yesterday.

Andy: Yes, and in the world of urban studies, Richard is absolute royalty. And it was really a treat to sit down with him and hear his incredibly animated views on the Amazon HQ2 search.

Patience: So, for anyone who's been living in a cave, here's a bit of background about Dr. Richard Florida. He is a researcher and professor at the University of Toronto and a Distinguished Fellow at New York University. He is a writer and a journalist, having penned several global bestsellers, including the award-winning, "The Rise of the Creative Class," and his most recent book, "The New Urban Crisis," which was published in April 2017. He serves as a senior editor for "The Atlantic," where he co-founded and serves his editor-in-chief for CityLab.

Andy: So, here are the highlights of our interview with Dr. Richard Florida.

Hi. Thank you. It's an honor to have you as a guest on "The Project." So, thank you very much, Dr. Richard Florida.

Dr. Richard Florida (CityLab): Oh, thanks for having me. I'm a fan.

Andy: Okay, well, good, good, good. So, we're here to talk about Amazon HQ2 today. I wanna start out, what was your first reaction when you heard about this project?

Dr. Florida: I thought it was great and really exciting. And, you know, I'm quite a big fan of Amazon. In my book, god, 15 years ago, "Rise of the Creative Class," I wrote about him as an example of a company that was moving back to downtown. Before that became fashionable as it is today, they established that headquarters, I believe it was first in an old abandoned hospital in downtown Seattle and then later moved to South Lake Union. Secondly, you know, I probably spend more of my own disposable income on Amazon Prime than anywhere else. So, I'm quite a fan.

Andy: So, let's switch gears to the shortlist of 20 finalists that have come out. You've kinda taken on an unusual approach here more recently in terms of encouraging, I think the term you've used in a petition on [change.org](https://www.change.org) is a non-aggression pact. Talk about [inaudible 00:02:48] behind that and kind of what you've done here.

Dr. Florida: Well, you know, I think, and I'd advice the mother of high-tech companies, and this isn't the first time a company had the idea of doing a bidding war, an RFP, and an auction, and any company that asked me, I said, "I think that's a really bad idea." And the reason I think it's a bad idea is because most companies have a very good sense of where they wanna end up. And if you look at the Amazon RFP, and I actually made it an assignment in my class, I teach masters students in a course on competitiveness in cities, MBA students, if you look at that, it's pretty obvious. They want a relatively big metro that can absorb 50,000 jobs. They talk about a variety of sites, but really, they want a site that's urban or close in suburban connected by transit and is sufficiently large. They want a place that has great universities.

They want a place that has a great global airport, with direct flights to Washington, D.C. I mean, you know, my students, I think, narrowed the list to eight metros, and they're pretty bright MBA students and they're not in the site selection business. So, my view was the whole auction was a mistake. And then what really got me, as a person who was born in Newark, New Jersey, when I saw the \$5 billion bid from former governor Chris Christie, and then when the 20 finalists came out, and, my lord, that's an odd list, you know, by any part of the imagination. And then I saw Larry Hogan, the governor of Maryland, "Oh, I'll go for \$5 billion," I just thought, "Whoa, this is insane."

You know, the amount of money these states and cities were throwing at Amazon, but here, I'm looking at a list of the most so-called, I'm making air quotes for folks listening, "progressive mayors" in the country. Bill de Blasio, "A Tale of Two Cities," stemming inequality and developing affordable housing. Eric Garcetti, a mayor I admire greatly, who I hope dearly is gonna run for president, who's all about upgrading and providing better jobs for low-income people. My dear friend, Bill Peduto in Pittsburgh, you know, a guy I've known for 20 years and who's about inclusive innovation. Rahm Emanuel, Muriel Bowser, Ras Baraka. I thought to myself, "My lord, these are mayors who are really concerned about inclusion and equity," and they're participating, maybe not, some of them are not opening up the till yet, but they are letting themselves participate in a bidding war. So, I said to myself, "If mayors rule the world, well, why can't the mayors rule themselves?"

And why can't these mayors say, "Look, we wanna have a fair and honest competition. We welcome Amazon with open arms." But two things, one, we're not gonna pony up a bunch of tax incentives for what is arguably the most profitable company in the last quarter, to account \$20 billion in profits, one of those highly valued companies in the world and one of the world's richest. And moreover, that's going to bring real cost of doing business to our community. It's gonna drive up our housing prices. It's gonna put pressure on our transport systems. It's gonna put pressure on local companies and businesses and drive up their wages. Why won't we just engage Amazon as a good partner in good economic and urban development? So, that was my thinking.

Andy: Now, you've put out this petition on [change.org](https://www.change.org), I think about four days ago, something like that, Richard?

Dr. Florida: Yes, yes.

Andy: What has the reaction been so far? I've seen something like 1,000 people who have signed the petition at this point. There are some really well-known names on there.

Dr. Florida: So, my objective in all of this is not to throw a monkey wrench into this by any means, but simply to hit the reset button. Before the train, you know, leaves the station, barreling down to ruin, before one of these cities or metros puts themselves in hot, before Amazon does tremendous brand damage to itself by having this competition, and, you know, I think Amazon should be smart about this and say, "Look, we wanna go into a city that's gonna love us. We already have had problems in Seattle. We already got the city council up in arms. We already got local people angry at us. We're gonna wanna go into this city, we don't wanna go and bankrupt them and put them, you know, but then we wanna go in there with a great relationship." So, my idea was hit the reset button. It's not like Amazon is hitting the reset button. Amazon is barreling down this path at [inaudible 00:07:25]. Where could there be a reset? And, you know, I'm not naive, all 20 of these jurisdictions are not gonna stand up and say, "Hey, hey, hey, let's call a truce." But what if Bill de Blasio, or Eric Garcetti, or the governor of Colorado, John Hickenlooper, or one or two of these mayors, a governor, hey, John Hickenlooper and John Kasich have been doing great things in bipartisan work to create a new agenda for America, what if John Kasich in Ohio, Columbus is a finalist city, and John Hickenlooper, the governor of Colorado said, "Okay, this is going nuts. Let's take a minute, let's take a breath, let's hit the pause button?"

So, what happened was I started to email some friends on a Sunday afternoon, about 10 days ago, and everyone I emailed emailed me back immediately and said, "This is a good idea." And by the way, they said, many of these folks, "We're not against some level of incentives. We think incentives as part of a useful package, but this is crazy." And I think for many of these economists, who are much smarter than me, it wasn't just the level of \$5 billion or \$7 billion, it was when Apple says, "We're gonna have a headquarters competition," and they saw this is opening, the signatory saw this is opening up a Pandora's box for more mega deals. You know, mega deals had been leveling off, people said, "Oh my god, this is gonna open up. It's gonna, in a way, set back our profession of economic development." I was amazed at how quickly people I never met, who I've always idolized, wrote back to me, and 99% of them, even if they said, you know, I'm not against incentives, I'm just against horribly, ghastly, extraordinarily too large incentives.

So, this was really not a big strategy, it was just something, yeah, I had an idea I thought that would help do something good for my profession, economic development, and enable us to hit reset on this and make a process that looks like it's headed towards a really problematic output, turn it from that to something that's good. And, you know, I guess, Andy, what I'm saying, this could either be the model of how not to do it, which is what looks like it is,

make 238 jurisdictions compete, create a shortlist, drive people nuts, and do corporate welfare for a wealthy man and a wealthy corporation. Or it could be alternatively a model of how to do this right, big company decides to find a new city, takes the city as a partner, develop a strategy for mutually developing that city, participates in public-private partnership, has a transparent process, everyone is happy, and it really creates a new model of doing economic development and site selection. So, that was my hope.

Andy: So, by all accounts, you were getting a very strong response from sort of the academic community, and you mentioned, you know, the economists and that sort of thing that sprang out from this. Are you getting any nibbles from cities that you're hearing, is it from a grapevine, "Gee, we should go down this path, or we should look closely at this path," you know? Is it Bill de Blasio or someone like that, are you getting any indication that someone's ready to step up?

Dr. Florida: You know, I know many of these people personally, and I didn't put any on the spot. I didn't call any of them personally but, you know, I did have conversations or email with people that know them and their stand. And I think most know this is wrong, many of them know this is problematic, but I think, right now, still no one is ready to stand up. But I think that many of these places... Oh, and when Amazon said, you know, "We want non-disclosure agreements," the thing I read about Newark, which came out in the press earlier last week, that Amazon wants non-disclosure, they want no public conversation. That kind of got me really scared, and I think it scared some of these mayors. I think they're now scared, if they stand up, Amazon will say, "To heck with your city."

Andy: Let's just go down the path and say this doesn't work and we don't hit the reset button on this. How does this end? Does this end with five or three cities just giving more, more, more? I mean, what do you think happens?

Dr. Florida: So, here's what I think without intervention when I look at the list. My two favorites, if you try to handicap this, are the Washington, D.C. area and the New York City area. Note that on that 20 shortlist, there are 3 candidate jurisdictions for Washington, D.C. and 2 from New York. And note as well that the person running this search from Amazon was a former economic development official in Montgomery County. The worst possible outcome is that this comes down to another shortlist of three to five jurisdictions, with New York and Washington, D.C. and several others, that's picked metro against metro to extract a high list of incentives. And then, when one or the other, let's say the Washington, D.C. metro was picked, where we know they have difficulty, they have had difficulty between Maryland, Virginia, and the District in having even jurisdictional pacts, jurisdictional mutual non-aggression pacts before.

Then they'd pick Northern Maryland, the District, and Virginia against one another. Amazon ends up moving to Washington, D.C., where "The Washington Post" is, where Jeff Bezos has his mansion, taking from the taxpayers probably the largest haul of incentives in modern memory. There is an enormous outcry from the people of that jurisdiction that has not welcomed Amazon. The outcry is, "What the hell did we do?" And I can tell you this because, you know, I've been part of the Google Sidewalk Labs thing in Toronto and I think everyone thought Google would be welcomed with open arms. And I think Google did it, the Sidewalk Labs did it the right way, community engagement, not a lot of incentives, partnering development. But even there, there's been a pretty vociferous backlash.

So, I think what you get then is Amazon moving to community that it's fiscally hamstrung, that it believes the bill of goods that the mayor and community leaders are telling it. But as it begins to locate there, there is a horrendous local backlash, and, you know, Amazon looks like a villain. And I think at a time in our country, when there is a very serious backlash against tech companies, where cities have already shown a backlash against Uber and Airbnb,

companies I like and use by the way, where Facebook is now getting hammered, where Google is being hammered, where Amazon could face an antitrust and monopoly a challenge. I think it's in everybody's interest to do this the right way. I don't like it when, you know, our innovative tech companies that really make our future and make us competitive and give America all these advantages, this is the first time in my life, you know, banks look like the bad guys or big companies look like the bad guys, this is starting to look like the late 19th and early 20th century with the progressive trust busters, and I worry about that. I worry, if these tech companies don't start to get their acts together, and instead of looking like a greedy, you know what I'm saying, a greedy big tech, they could look like, they should look like, they should be better urban citizens, better city builders, better economic and community developers.

And so, if this doesn't hit the reset button, I see bad things. For the losers, I see the loser, you're gonna have 19 places POed. You're gonna have people feeling played. You're gonna have a local place, that's the winner, feeling like, "Oh, my god, what did we give? Did we give too much?" And you're gonna have Amazon, instead of having its brand increase, having Amazon's brand pinged negatively. So, that's why I'm saying, now is the time for the reset. And you know, if we don't hit the reset, then good luck, I mean, good luck for Amazon and good luck for the place that gets it, you know. I mean, we know this, there's a way to do this right and there's a way to it wrong. And, by god, it would just be better for us at this time if we did it right.

Andy: So, just as a final question here, I mean, you feel so passionately about this. You have sort of changed your status in a certain way, from researcher, observer, to activist, was the term you used earlier. Was that a hard decision to make for you?

Dr. Florida: I think it was a dumb decision. I wish I didn't, I mean, it's consuming all of my time. It's likely to get mayors I like mad at me. It's likely to get Amazon, a company I like, mad at me. So, I just thought I had to do it, you know. I'm now, though it's hard for me to say these words, 60 years old, and I've spent all of my life loving this field of economic development, trying to get us away from big mega deals, trying us to get to compete on place-based assets. I wrote a whole book, "Rise of the Creative Class." Don't give away money, don't give away money to professional sports teams, don't give money to big museum projects, invest in local talent, things that stick in your place. And I guess I saw that my field, I love this field so much. In medicine, you know, we have clinical protocols. And I wanna write a piece on economic development quackery.

You know, if a medical doctor did this, they'd be called a quack. They'd be like, "You're a quack. This is nuts." And in engineering, if you try to build a bridge, like we'd say, "No, it's crazy." I love my field so much that I thought, "Well, no one else is standing up. I have some level of seniorness." I'm making air quotes, I don't take myself that seriously. "I have some level of platform, maybe I should do it." And I think what happened was the field of emails I sent out came back so strong, people said, "We really, you know, think you should do this. Admire you for doing it. No one else is gonna do it. And by the way, Rich, probably these mayors won't stand up anyway, so you're naive."

Yeah, so it was, I wouldn't say it was a big decision, I would think it was a hasty decision, and it seems like one that's consuming a lot of my time. It's probably gonna end up being, to some degree, you know, costing me some friends and costing me some things. But what the heck, you only live once, you know. I mean, Jane Jacobs, I guess, you know, I got to know her late in life, and she wasn't an activist either, she just said, when Robert Moses wanted to mow down her neighborhood with the highways, she had to stand up. And maybe, like, I was like that. It was like, "Oh, god, this company, that's a good company, you know, that's an innovative company, that's a big, growing company, is gonna mow down these cities. I don't have all the answers, and I'm not saying this petition is the right answer, it is really just a way of surfacing the issue." And in many ways, for economic development, this is a teachable moment. This is the kind of thing that your in-laws and your cousins and your friends wanna talk about at a

holiday party or around the dinner table. This is really a teachable moment, and I thought, "What the heck? I'm the one who's gonna do it, and let's do the best we can." Yeah.

Andy: I think that's a good note to leave things on. Really looking forward to hearing the end of the story. I think we all are, Richard. But really, really appreciate your time today. This is a great interview and I look forward to sharing it with the economic development community.

Dr. Florida: Yeah, and please, two things. One, we're gonna continue to track it. I have a couple of students just compiling a case material on this. I think it's gonna be a case study. And secondly, if folks wanna email me with their thoughts, email me at florida@creativeclass.com. I'd love to hear from the professional community, whether they agree with this, disagree with it, think I'm nuts, or most likely have much better suggestions about taking what could be a problematic outcome and turning it into a good outcome. So, thanks for having me. It's been delightful being with you.

Patience: So that is a wrap on this special episode of "The Project: Inside Corporate Location Decisions."

Andy: A very special thank you to Dr. Richard Florida for taking the time to sit down with us. You can learn more about Richard and the nine different books that he has written on his website creativeclass.com. And if you wanna see the non-aggression pact petition and the leading urban thinkers that are supporting it, visit change.org or just Google "non-aggression pact" and "Richard Florida."

Patience: "The Project" is sponsored by DCI. We are the leader in marketing places and observed over 450 cities, states, regions, and countries. You can learn more about us at aboutdci.com.

Andy: Both Patience and I are keeping very close tabs on Amazon HQ2 as well as the latest site selection announcements for a range of other companies. We hope you'll keep listening. There are many more projects to come.