

UPDATE: South Florida leaders react to losing Amazon HQ2

By: Brian Bandell

South Florida made Amazon.com's short list for a second headquarters, but the e-commerce giant ultimately passed over the region for HQ2.

Still, tri-county business leaders say making Amazon's short list has elevated the region's profile and demonstrated that it is a prime spot for big companies to relocate or expand their presence.

"In the end, if the Amazon search leads even one more business to take a good look at [South Florida], then that makes the past year well worth it," said Bob Swindell, CEO of the Greater Fort Lauderdale Alliance and one of the architects behind the Miami/South Florida bid.

Seattle-based Amazon (Nasdaq: AMZN) announced Tuesday it would split its \$5 billion second headquarters between New York City and Arlington, Virginia, with 25,000 new jobs coming to each city. In addition, Nashville, Tennessee, won an Operations Center of Excellence that will employ 5,000 workers earning an average salary of \$150,000.

The Miami/South Florida market was among the Top 20 finalists for HQ2. And even if it didn't win, local economic development officials were hopeful the region would secure a "second prize" of a smaller facility Amazon facility.

As the Business Journal has reported, Amazon officials came to Miami for a follow-up visit, something that didn't occur in many of the other finalist markets. Locations such as Miami Worldcenter and the Miami Innovation District were seen as potential good fits for a massive Amazon office.

However, as much as Florida likes to tout that it's a low-tax state, that didn't make a difference in luring the online giant. New York, Virginia and Tennessee bested Florida, despite their higher corporate tax rates. Florida, like Tennessee, has no personal income tax, while Virginia and New York do have personal income tax.

In terms of affordability, home values are much higher in Arlington and New York City than in Miami.

"The influx of Amazon-related jobs could have almost doubled the pace of job growth in Miami compared to last year," said Danielle Hale, chief economist at Realtor.com. "But with a median listing price of \$387,000, well above the national average of \$295,000, affordability would have gotten even tougher for buyers. An HQ2 win would have also expanded the already serious affordability gap between lower-income and higher-income households."

Michael Simkins, principal of the Miami Innovation District, said Amazon officials requested extensive

information about his 10-acre property in the Park West neighborhood, on the north side of downtown Miami. Although he never met personally with Amazon officials, he understands they had repeated talks with city and county officials.

"We were seriously considered, but we just came a little short this time," Simkins said. "Downtown Miami is poised to attract large, exciting corporations and more jobs. We have a lot of momentum, and Amazon's decision to go to other cities won't stop that momentum."

The Arlington/Washington, D.C., area and New York City continue to have an edge on South Florida in workforce talent, universities, and transportation, said John Boyd Jr., principal of Boyd Co., a Princeton, New Jersey-based business location consulting firm.

Having enough talent in the tech space has always been the big question in South Florida, and filling 25,000 to 50,000 jobs at Amazon was a major ask. Bigger markets like New York City and the Arlington/Washington metro area were better able to meet those requirements, although South Florida's tech scene is improving, he said.

The challenges in hiring skilled workers in South Florida are evident to Jim Angleton, CEO of Miami-based Aegis FinServ Corp. He hopes to hire 900 employees in Miami-Dade for a call center to support his debit cards. Even with pay of \$25 an hour, plus benefits, he's concerned that hiring enough qualified people will be difficult. Miami-Dade and Broward counties have a large service sector-type workforce, but many of those employed lack the skills to qualify for more advanced jobs, Angleton said.

If Aegis has issues filling 900 jobs, Amazon would certainly view filling 25,000 advanced jobs in South Florida as a difficult task.

"Amazon knew they would have to relocate and ship in people, and relocating is very expensive," Angleton said.

While universities in South Florida have been gaining in prestige, the HQ2 winners still have a larger mass of renowned colleges and universities, Boyd said. The Washington metro area and the New York/Northern New Jersey/Connecticut area have seven universities in the Top 50 of the U.S. News & World Report Best Colleges list among them. Nashville has one. South Florida has none in the Top 50.

New York City and the Washington area also have much larger public transportation networks than South Florida, so it's easier for workers and students to move around without driving.

Boyd said it's better that Florida remains a low-tax state. Many smaller-scale projects in South Florida have been put on hold as those company officials waited to see what would happen with Amazon, since they didn't want to compete with the giant company hiring 25,000 employees, he said. Boyd expects expanding tech companies to continue looking at South Florida.

In fact, Simkins said he's spoken with NASDAQ 100 technology companies about building offices in the 100,000-square-foot range in the Miami Innovation District, and those conversations are ongoing. Tech companies have a herd mentality, so once the first big one chooses downtown Miami, more will follow, he added.

"Miami comes out of this a winner," Boyd said. "Charlotte [North Carolina] didn't even make the Top 20, and they reshuffled their economic development team as a result ... South Florida real estate leaders and elected officials and academic officials could forge relationships with senior Amazon officials, and that may lead to new projects in the months and years to come."

Still, not everyone views losing HQ2 as a negative. Small and medium businesses – especially those within the region's burgeoning startup industry – would have had a very tough time competing with Amazon's salary and benefit offerings, said Joe Russo, executive director of the Palm Beach Tech Association.

"Everybody has trouble hiring, especially when it comes to senior-level talent," he said. "Imagine if Amazon came in and raised the bar on everyone's salary across South Florida, and the strain that would put on small and medium businesses."

If South Florida can learn anything from its HQ2 bid, it's that the region's three economic development agencies working as a team can raise the area's profile as a place of business. And it's at a time when business leaders say much of the country still views South Florida as primarily a tourist destination.

Nitin Motwani, managing principal of Miami Worldcenter Associates, developer of one of the sites considered for Amazon HQ2, said the regional approach to economic development has strengthened South Florida's ability to lure more companies. Miami still needs to make gains in transportation and growing workforce talent, then use the regional approach to better tell its story, he said.

"I don't think that this is a loss for Miami," said Raul Moas, Miami program director of the Knight Foundation. "We made it into the list of 20 finalists, and that's a testament to how much Miami has transformed, and confirms there's something happening in this place. What I loved about this whole process is seeing the region come together in a way it hadn't before. That will pay dividends, directly and indirectly, in elevating the profile of the city."

Ultimately, South Florida's place in the Top 20 could create opportunities for Amazon to work with South Florida on future projects, said Melissa Medina president of Emerge Americas, South Florida's biggest technology conference.

"We believe this to be a great source of validation that the South Florida ecosystem is thriving," she said. "We are certain that we will continue to collaborate with Amazon in future endeavors, and we greatly appreciate the tremendous work of our partners — many of whom were integral in submitting our city's bid for HQ2."