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Amazon HQ2 Was an 'Unfortunate Distraction' From 'Needy Communities'

The online retail giant's plans in New York attracted bad PR for a new federal program aimed at helping economically distressed areas like Long Island City.

Amazon's announcement last week that it would no longer build a corporate headquarters out of New York City was met with harsh criticism from many state and local leaders. Mayor Bill de Blasio condemned the online retail company, while Gov. Andrew Cuomo, also a Democrat, lambasted the progressive politicians whose attacks against Amazon ultimately killed the deal.

"Amazon chose to come to New York because we are the capital of the world and the best place to do business. However, a small group [of] politicians put their own narrow political interests above their community," Cuomo said in a statement shortly after Amazon's announcement.

But for backers of so-called opportunity zones, Amazon's withdrawal removes an unwelcome distraction from a burgeoning effort to attract new investment to low-income neighborhoods.

Opportunity zones were created as part of the 2017 federal tax overhaul. If private investors plow money into these economically distressed neighborhoods, they can shield portions of their capital gains tax liability. There are 8,700 of these zones scattered across the country. One of them is in Long Island City, Queens, in New York, where Amazon was going to locate one of its two new headquarters.

When Amazon made its HQ2 announcement in November, many people questioned the area's opportunity zone participation. If the neighborhood was attractive enough for the tech giant, then why did it need help from a federal investment program for distressed areas?

"When you first heard about the opportunity zone program, you said, 'Well this is helpful to poor people,'" says Timothy Weaver, an urban policy professor at the State University of New York at Albany. "But then you hear Amazon's name and that doesn't seem like something to help the poor."

On the same day Amazon announced its plans to move to Long Island City, Goldman Sachs announced that its opportunity zone fund was investing \$83 million into the same neighborhood. The pairing of the two announcements, which Goldman Sachs said was a coincidence, led to sharp criticism of the opportunity zone program from the press.

Unlike Goldman Sachs, Amazon is too large to have qualified for an opportunity zone tax break. But the company nonetheless would have benefited from it being an opportunity zone, say Weaver and others. For instance, Goldman Sachs had already planned to finance construction of apartments in Long Island City.

Now, with the Amazon move off the table, Weaver suggests the opportunity zone plan, at least in Long Island City, can move forward on its merits.

"I certainly think the HQ2 saga has been an unfortunate distraction at the expense of the thousands of needy communities nationwide that stand to benefit from thoughtful opportunity zone implementation," says John Lettieri, the president and chief executive officer of the Economic Innovation Group, the think tank that helped draft the opportunity zone language in the 2017 tax plan. That group, started by Napster founder and former Facebook executive Sean Parker, has spent more than five years trying to draw investment to economically depressed areas.

"There are outliers, but the national numbers aren't ambiguous: The vast majority of opportunity zones are facing an array of deep socioeconomic challenges," Lettieri says. "They deserve far more serious attention than they are getting."

Neither Lettieri or Weaver will speculate on whether Amazon's exit will have an impact on investment in the Long Island City opportunity zone. The program is still new. The rules governing opportunity zones are still subject to change, and the market conditions are always in flux, Lettieri says.

And questions remain as to whether the program will deliver jobs or services as intended. Weaver has long been a critic of opportunity zones. His belief is that a tax incentive program like this one naturally will encourage those investments designed to deliver maximum returns. That means high-yield projects like real estate developments, but not other projects that could perhaps better serve distressed communities.

"The type of things we might want in these neighborhoods — schools, libraries or playgrounds — have nothing to do with investment and profit," Weaver says.

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