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Amazon headquarters expansion brings housing challenges as well as job growth to New York City and Washington, DC, areas

The two new headquarters locations (“HQ2s”) announced by leading online retailer Amazon on November 13 have had proactive leadership in support of housing affordability—especially multi-family housing. The housing challenges posed by Amazon’s HQ2’s should not be underestimated, however.

Amazon chose a site in Northern Virginia, and one in New York City, for those new headquarters. It pledged to create 25,000 jobs at each site by 2030. Amazon also announced that it will hire 5,000 workers in Nashville, Tennessee, as part of a new operations hub responsible for customer fulfillment and similar activities. At all three locations, Amazon says the average salary will be at least \$150,000.¹

Amazon had emphasized during the bidding process that favorable housing conditions would be among the important factors in its decision. Its emphasis on housing is consistent with the growing importance that employers are placing on the availability and affordability of housing, when deciding where to locate operations. American workers are showing the same preference.

For example, it is generally the smaller cities that are seeing population and job growth currently, rather than the nation’s largest metropolitan areas.² Wages and salaries are

¹ Jonathan O’Connell and Robert McCartney, *It’s official: Amazon splits prize between Crystal City and New York*, Wash. Post, Nov. 13, 2018 (“O’Connell and McCartney”).

² Yardi Matrix, *2018 Multi-family Market Update* (Nov. 8, 2018) (webinar presentation, pp. 49-50). (Yardi Matrix is a major commercial apartment information service which monitors the nation’s largest (50+ unit) apartment buildings.) Generally, only secondary and smaller housing markets (such as fast-growing Austin, Boise, Charlotte, Des Moines, and Nashville), have seen stable or rising population growth since 2015. Also, job growth generally has been greater in secondary and tertiary urban markets than in the nation’s largest metropolitan areas since the beginning of 2017

lower in smaller cities, but much lower costs of living—especially for housing—are making those areas more affordable and attractive to many Americans. Recent economic studies have shown that exclusionary zoning and other housing-related, exclusionary policies in the nation’s largest metros have been stunting Americans’ migration to them—and the nation’s economic growth.³

Housing challenges

In Seattle, where Amazon’s original headquarters has grown to about 40,000 workers,⁴ “city officials in 2015 declared a state of emergency over homelessness as rents skyrocketed and some landlords advertised that they would prioritize Amazon, Microsoft and Google employees over other prospective tenants.”⁵

“One of the big lessons in Seattle is that while yes, Amazon created a positive tech boom in the city, it also led to a rise in homelessness, housing unaffordability and such stark inequality that created a lot of political and community distrust,” according to Amy Liu, director of the Metropolitan Policy Program at the Brookings Institution.⁶

However, there is cause for optimism that Amazon’s HQ2 cities can handle the housing effects of the company’s prodigious growth better, based on lessons learned from Seattle.

Long Island City

Since 2010, Long Island City (“LIC”) has seen the most new rental apartments of anywhere in the country—nearly double that of the next-highest neighborhood,

³ See, e.g., Peter Ganong and Daniel Shoag, *Why Has Regional Income Convergence in the U.S. Declined?* NBER Working Paper 23609 (July 2017), posted at: <http://www.nber.org/papers/w23609>; Chang-Tai Hsieh and Enrico Moretti, *Housing Constraints and Spatial Misallocation*, NBER (May 18, 2017). For more, please click on [INTERSTATE EFFECTS OF REG. BARRIERS \(2015\)](#).

⁴ Mike Rosenberg and Ángel González, *Thanks to Amazon, Seattle is now America's biggest company town*, Seattle Times (August 23, 2017; updated November 30, 2017).

⁵ Tracy Jan and Kathy Orton, *Amazon’s arrival could deepen inequality in DC region*, Washington Post, Nov. 14, 2018, A21 (“Jan and Orton”).

⁶ Jan and Orton. See also, e.g., Alana Semuels, *Amazon’s HQ2 Will Only Worsen America’s ‘Great Divergence,’* The Atlantic, Nov. 13, 2018 (“If nothing else, Amazon’s HQ2 decisions may accelerate America’s great divergence, where highly educated urbanites are doing better and better, and everyone else is doing worse”).

downtown Los Angeles.⁷ About 10,000 new residential units have been constructed in LIC since 2001.⁸

A high percentage of LIC's multi-family buildup has been luxury condominiums.⁹ Most of Amazon's workers should be able to afford the housing there, based on the average annual salary of at least \$150,000.

Rising prices due to the massive influx of high-paid workers could cause displacement of many current, low- and moderate-income residents of LIC. However, New York City Mayor Bill de Blasio has led an aggressive campaign for more affordable housing throughout the five boroughs, including Queens (LIC's borough).

De Blasio—who was reelected in 2017 with about two-thirds of the vote—announced before that election that his affordable housing plan would reach its goal of building or preserving 200,000 below-market-rate apartments by the end of 2022, two years ahead of schedule. The mayor said he was adjusting the housing plan, aiming to deliver an additional 100,000 affordable units by 2026.¹⁰ New York City appears committed to continuing proactively to improve housing affordability for its residents throughout the five boroughs.

Arlington-Alexandria, and DC metro area generally

“Some experts argue that the Washington region, with its extensive transit network, is well positioned to absorb the infusion of workers, especially younger tech employees who would be more likely to rent — at least initially.”¹¹ For example, Stephen S. Fuller, Ph.D., an economist with George Mason University (in Northern Virginia), believes that

⁷ Steven Zeitchik, *Long Island City faces Amazon dilemma: How to reap rewards amid changing landscape*, Washington Post, Nov. 14, 2018.

⁸ Elizabeth Goldstein, *Long Island City Isn't Ready for Amazon*, New York Times, Nov. 21, 2018. In the first six months of 2018, about 3,000 apartments were completed in Long Island City, representing about a quarter of all the new units in New York City, and another 3,300 apartments are expected to come to market in Long Island City by 2020. C. J. Hughes, *What Amazon Means for Long Island City*, New York Times, Nov. 22, 2018 (citing figures by Localize.city, a building data site).

⁹ Zeitchik.

¹⁰ William Neuman, *De Blasio Says City Will Hit Affordable-Housing Goal 2 Years Early*, New York Times, Oct. 24, 2017.

¹¹ Jan and Orton.

additional housing demand Amazon’s HQ2 would generate, would be gradual and dispersed through the Washington area.¹²

The Fuller Institute, which he heads, and which focuses on the DC region’s economic future, predicts that the DC “region’s rental market should be able to accommodate HQ2 households without outsized increases in rents, overall.” That conclusion was based on “the relatively large supply of rental housing and, more importantly, the ability for the region to continue to increase this supply.”¹³

Both Arlington and Alexandria, “against strong market forces . . . , have made affordable and workforce housing a priority and have put their money and land use policies where their mouths are.”¹⁴ For example, as summarized by a prominent, DC-area housing consultant:

Arlington County's Affordable Housing Trust Fund (AHIF) supports the production and preservation of below-market-rate rental housing. This year, the County has allocated \$14.3 million to the fund. In the City of Alexandria's Potomac Yard area, located just south of Crystal City, the community has engaged in a multi-year planning process to intensify development potential and significantly expand housing options with affordable apartments, condos and townhomes.¹⁵

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It will take concerted efforts, by local and state governments in areas affected by Amazon’s expansion, to meet the substantial challenges to housing affordability that its buildups pose. EHI will continue to monitor the effects of Amazon’s expansion on housing affordability in the areas it has chosen.

¹² Jan and Orton. “Rental search site HotPads found that rents in the D.C. region would increase only slightly, lifting the median monthly rent to \$2,170 from \$2,146.” *Id.*

¹³ Fuller Inst., *HQ2 and housing*, p. 15 (Oct. 13, 2018).

¹⁴ Lisa Sturtevant, Ph.D., *Did Housing Affordability Even Matter to Amazon?* Nov. 15, 2018 (hereinafter “Sturtevant”); posted at: <https://www.lisasturtevant.com/>. Dr. Sturtevant previously served as Vice President for Research of the National Housing Conference (NHC) and Deputy Director of the Center for Regional Analysis at George Mason University.

¹⁵ Sturtevant.