

June 2019

Amazon HQ2 in Northern Virginia is ahead of schedule, but housing concerns are amplified by rising home prices

Amazon pulls out of negotiations for New York City HQ2 amid widespread protests about its effects on housing, among other issues

Since the announcement in November by leading online retailer Amazon, that it would split its much sought-after new headquarters (“HQ2”) into two locations—one in Northern Virginia, and one in New York City—it has dropped its New York City plans. However, Virginia’s legislature, and those of Arlington County and the City of Alexandria, where the Northern Virginia HQ2 is planned, promptly approved that deal, putting Amazon ahead of schedule there.

Serious concerns about displacement of current residents due to neighborhoods gentrifying near the new headquarters were raised almost immediately, in both locations (Long Island City, NY, and Arlington/Alexandria in suburban Northern Virginia). Both locations were planned for at least 25,000 new jobs by 2030, at an average salary of at least \$150,000.

Residents’ concerns about Amazon’s effects on housing were among the factors that led the company to pull out of negotiations with New York City in February. Northern Virginia officials have voiced confidence that the housing impacts of HQ2 will be handled effectively. There are growing indications, however, that HQ2 could cause major problems of gentrification and resulting displacement of low- and moderate-income people in Arlington and Alexandria.

1. Faced with protests, Amazon ends negotiations with New York City

The potential problems associated with Amazon’s headquarters expansion are suggested by its abortive negotiations with New York officials to locate a headquarters in Long Island City. Their initial agreement, which was subject to approval by the New York City Council and the state legislature, stirred intense debate, including about “the rising cost of living in gentrifying neighborhoods.”¹

¹ J. David Goodman, *Amazon Scraps New York Campus*, NY Times, Feb. 15, 2019, A1 (“Goodman, Feb. 15, 2019”).

BOARD OF DIRECTORS
THOMAS A. LOFTUS, ESQ., CHAIRMAN
COL. JOHN M. RECTOR (USA, RET.),
VICE-CHAIRMAN
MICHAEL J. CLARK, ESQ., TREASURER

ADVISORY COMMITTEE
PROF. PHILIP M. CAUGHRAN
PROF. WILLIAM A. FISCHER
SCOTT LINDLAW, ESQ.
THOMAS B. RESTON, ESQ.

Polls indicated that most New Yorkers, citywide and statewide, approved of bringing the Amazon HQ2 to Long Island City. There was particularly strong support in Long Island City's Borough (Queens), as well as the Bronx and Staten Island.² "The move was also popular among blacks and Hispanics."³

However, the roughly \$3 billion in incentives that Amazon might receive from the state and city governments, in the form of tax breaks and other benefits, stirred great controversy. Of New York City residents polled who expressed an opinion, almost as many opposed as supported the extent of those incentives.⁴

The November 2018 agreement drew immediate fire from some Long Island City officials. The state senator (Michael Gianaris (D)) and the New York City councilman (James Van Bramer (D)) whose districts include Long Island City objected to the steep incentives and to the secrecy of the negotiations, which did not go through the traditional public approval process.⁵

Other prominent officials who opposed the project were Rep. Alexandria Ocasio-Cortez (D-N.Y.) (whose Congressional district includes a nearby part of Long Island City's

² A December 2018 poll of New York City residents by Quinnipiac University showed that overall, 57% approved of Amazon locating the proposed headquarters in Long Island City. Corey Kilgannon and Sean Piccoli, *Division in Queens: Did Outsiders Sabotage a Good Thing?* NY Times, Feb. 15, 2019, A23 "Kilgannon and Piccoli, Feb. 15, 2019". (About 26% citywide disapproved, and 17% were not sure.) *Id.* Of Queens residents polled, 60% indicated approval, while 26% indicated disapproval, with 14% not responding. The Bronx residents polled favored the agreement by 64% to 21%, with 15% not responding. Staten Island residents polled favored the agreement by 58% to 16%, with 26% not responding.

A statewide poll published just before Amazon's February pullout also showed clear majority support for the deal.

"Even as Amazon is said to be reexamining the deal with New York to locate in Queens, by twenty points New York voters approve of the deal," said Siena College Research Institute director, Don Levy. "Upstate voters are evenly divided but suburban voters strongly approve and in New York City, where some local activists have voiced opposition, voters approve of the deal by 23 points."

Siena Research Institute, *Majority Support NYS Deal with Amazon* (Press Release, Feb. 12, 2019).

³ The Quinnipiac poll indicated that 65% of black New York City residents, and 63% of that City's Hispanics approved of bringing the headquarters to Long Island City. Kilgannon and Piccoli, Feb. 15, 2019.

⁴ Overall, 46% of those polled favored the deal despite the incentives to Amazon, but 44% were opposed to the amount of incentives. In Queens, 55% of those polled supported the incentive package, while 39% opposed it, and 7% expressed no view. Kilgannon and Piccoli, Feb. 15, 2019.

⁵ J. David Goodman, *Cost of Queens Prize: \$1.7 Billion and Up*, NY Times, Nov. 14, 2018, A1

Borough (Queens)), and state Sen. Jessica Ramos (D) (who represents a nearby district in Queens). They are “part of a crop of liberal lawmakers who unseated centrist Democrats during the primaries” in 2018.”⁶

Joining those officials were a large number of activist groups and concerned individuals who underscored concerns about issues such as gentrification and displacement. “[T]he people who would be affected by rising rents and cost of living were the ones leading the campaign,” according to Maritza Silva-Farrell, the executive director of the public interest group ALIGN.⁷

Faced with that opposition, Amazon pulled out of the negotiations on February 13, 2019. Amazon’s statement said in part: “A number of state and local politicians have made it clear that they oppose our presence and will not work with us to build the type of relationships that are required to go forward.”⁸

However, New York Gov. Andrew Cuomo was among New York officials who did not give up trying to get Amazon to reconsider its decision. He led a campaign which included a full-page ad in the New York Times on March 1. That letter, which included more than 70 signatories, including public housing tenant leaders, the local N.A.A.C.P. chapter, pastors, as well as businesses in Queens, “may have tempered some of the political opposition to the Amazon plan.”⁹

No change of heart by Amazon has been evident, however. Amazon indicated that in lieu of a New York City headquarters, it intends to grow across its tech hubs, which include a large presence in cities like Boston, Austin, Tex., and Vancouver, British Columbia, as well as smaller operations in Pittsburgh and Detroit.¹⁰

⁶ Eli Rosenberg and Reis Thebault, *Amazon had New York City in the bag. Then left-wing activists got fired up*, Wash. Post, February 14, 2019. (Amazon’s founder and chief executive, Jeff Bezos, owns the *Washington Post*. All statements in this memorandum whose source is the *Post* are attributed to the *Post* in footnotes.)

⁷ Eli Rosenberg and Reis Thebault, *Amazon had New York City in the bag. Then left-wing activists got fired up*, Wash. Post, February 14, 2019. Angeles Solis, lead organizer for Make the Road New York, an organization of low-income immigrants and communities of color, said: “The issues that really resounded with our members and community were displacement, school overcrowding and Amazon’s data surveillance practices and partnership with ICE.” Robert McCartney, *Amazon’s New York ‘disaster’ reminds leaders to address gentrification*, Wash. Post, February 16, 2019.

⁸ Goodman, Feb. 15, 2019. *See also, e.g.*, Robert McCartney and Jonathan O’Connell, *Amazon drops plan to build headquarters in New York City*, Wash. Post, February 14, 2019 (the level of “resistance from local politicians, unions and community activists” led to Amazon’s pullout).

⁹ J. David Goodman, *Rush to Lure Amazon Back After Cuomo Resumes Talks*, NY Times, March 2, 2019, A16.

¹⁰ Goodman, Feb. 15, 2019. *See also* Robert McCartney and Patricia Sullivan, *Amazon says it will avoid a housing crunch with HQ2 by planning better than it did in Seattle*, Wash. Post, May 3, 2019 (Amazon officials said the headquarters jobs that had been planned for New York City will

2. Amazon's Virginia deal approved by state and local governments

On February 5, 2019, Virginia Gov. Ralph Northam (D) signed the state's incentives package proposed for Amazon's Northern Virginia HQ2, which will be worth up to \$750 million to Amazon.¹¹ The Virginia General Assembly had passed that legislation overwhelmingly, despite some concerns expressed about potential effects on housing affordability in Northern Virginia, and other issues.¹²

Then, on March 16, 2019, the Arlington County Board of Supervisors unanimously approved the proposed county incentives package of up to \$23 million for Amazon to build its headquarters facility in and around Crystal City. (That area of the county (to be renamed "National Landing") lies just across the Potomac River from Washington, DC.)

The Board's vote followed a long public hearing and a raucous meeting that was repeatedly interrupted by protesters, forcing the board members to leave the room briefly

be distributed among Amazon's 17 technology hubs around the United States, not including Seattle proper). However, Amazon already has about 5,000 workers in New York City and still plans to add more jobs there—particularly in advertising, fashion and web services. Goodman, Feb. 15, 2019.

¹¹ Michael Martz, *Without fanfare, Northam signs Amazon incentive bill*, Richmond (VA) Times-Dispatch, Feb 5, 2019.

The legislation establishes a fund to receive and disburse \$550 million in incentives for the creation of 25,000 jobs by Amazon in the first phase of its HQ2 project. The incentives equate to \$22,000 per job and would not be paid until four years after the jobs are created and begin to generate additional income tax revenue to pay for them.

The agreement . . . requires that the jobs average \$150,000 in annual pay, not including benefits. It also limits the number of jobs tied to federal government contracts to 10 percent of the total, as Virginia officials try to wean Northern Virginia and the state economy off federal spending. The legislation would provide an additional \$200 million if Amazon chooses to build a second phase that would create 12,850 more jobs, at a cost to the state of \$15,564. *Id.*

"Separately, the General Assembly is acting on legislation to create a "tech talent pipeline" that would include up to \$800 million in state money over 20 years to provide to colleges and universities for the award of additional undergraduate degrees in computer science and related fields to produce high-skilled workers for Amazon and other technology companies." *Id.*

¹² Martz, Feb 5, 2019. The vote was 35-5 in the state Senate and 83-16 in the House of Delegates. The incentive package had drawn criticism from:

opponents of public incentives for wealthy corporations, as well as legislators from other parts of Virginia who say their regions had been left out and some Northern Virginia lawmakers concerned about the massive project's potential effects on housing affordability and traffic congestion. *Id.*

on two occasions. Opponents and supporters were “evenly divided” among the many who spoke at the six-hour public hearing that preceded the vote.¹³

Speakers who supported the Amazon deal argued for the value of the jobs and economic boost they expect Amazon to bring to the county and region. “Opponents said Amazon didn’t need or deserve public subsidies, that its arrival would displace low-income communities, and that it had not engaged well with the community.”¹⁴

Opponents also argued that the county and commonwealth should not give incentives to one of the world’s most valuable companies, and they have “demanded housing and job protections for existing residents.” They “felt empowered” after Amazon canceled plans for a New York City headquarters.¹⁵

However, the prompt governmental approvals led Amazon to start HQ2 operations in Arlington in June, instead of its original October 2019 start date. Amazon posted the first job listings for HQ2 on April 29.¹⁶ It plans to hire 400 employees this year, followed by 1,200 more in 2020. Ultimately, Amazon expects to hire about 37,850 employees for HQ2—25,000 of them in the next decade or so. Additional, ancillary jobs are expected to boost employment in the region further.¹⁷

Arlington County anticipates that the deal will result in \$14 in new tax revenue for every \$1 the County spends in subsidies—making it “the most cost-effective agreement we’ve ever negotiated,” according to Board Chair Christian Dorsey (D). He said he is “confident we can manage” successfully the resulting issues of increased rents, traffic congestion and school overcrowding.¹⁸

A recent poll found broad support for the Amazon deal around the DC region.

About 7 in 10 Washington-area residents say Amazon’s headquarters in Northern Virginia will mainly have a good impact on the region, while about 2 in 10 say it will mainly have a bad impact, according to the survey. Optimism about Amazon is strong among all demographic groups

¹³ Patricia Sullivan and Robert McCartney, *Arlington County Board approves \$23 million incentives package for Amazon*, Wash. Post, March 16, 2019. Individuals were allowed two minutes to speak, and persons representing organizations were allowed four minutes to speak. *Id.*

¹⁴ McCartney and Sullivan, May 3, 2019.

¹⁵ McCartney and Sullivan, May 3, 2019.

¹⁶ McCartney and Sullivan, May 3, 2019.

¹⁷ Lerner, April 4, 2019.

¹⁸ McCartney and Sullivan, May 3, 2019.

surveyed, regardless of jurisdiction, income, political party, gender or race.¹⁹

However, that poll (conducted by the *Washington Post* and by GMU’s Schar School of Policy and Government) also finds that “a 63 percent majority of the region’s residents say the new Amazon headquarters will result in a significantly higher cost of living in the region, including majorities of most demographic groups.”²⁰

3. Housing effects of Amazon

“Frenzy” for home purchases near Northern Virginia HQ2

“Home buyers and investors went into an immediate frenzy after the Amazon announcement in November” 2018, in the area near HQ2.²¹ The director of the D.C. region’s leading economic analysis group (George Mason University’s Center for Regional Analysis (“GMU”)) forecasts that Arlington housing prices will see a year-over-year increase of 17 percent this December.²²

A new *Washington Post* analysis finds that the average home price in Arlington County was \$742,000, “more than 11 percent above the same month in 2018”—and that all of the gains in real estate prices in Arlington and its neighboring jurisdictions occurred after Amazon’s HQ2 announcement.²³

Real estate agents and local economists said inventories are so sparse that some popular Zip codes in Arlington and Alexandria show no homes for

¹⁹ Robert McCartney and Emily Guskin, *Poll: D.C. area thinks Amazon headquarters will have good impact overall, despite concerns*, Wash. Post, June 14, 2019. (The poll was conducted “by telephone April 25 to May 2 among a random sample of 1,507 adult residents of the Washington area.” *Id.*)

²⁰ McCartney and Guskin, June 14, 2019.

²¹ Michele Lerner, *Will Amazon’s effect on Northern Virginia housing be as feared — or hoped for?* Wash. Post, April 4, 2019 (citing views of Alexandria real estate agent Greg Doherty of Coldwell Banker Residential Brokerage).

²² Taylor Telford, *et al.*, *Housing prices in N.Va. up sharply*, Wash. Post, June 14, 2019, B1. That prediction by Terry Clower, Director of that Center, is based on first quarter 2019 home sales and other data compiled by the Center and the Northern Virginia Association of Realtors. Clower cautioned that December of 2018 was particularly slow. “Other real estate analysts said investor interest was high in the months after the HQ2 announcement, but could ease in the coming months.” *Id.*

²³ Telford, *et al.*, June 14, 2019. (“In May, the average home price in Arlington County — the future of home of Amazon’s second headquarters known as HQ2 — was \$713,000, up about 7 percent from a year ago.”) *Id.*

sale at all. They added that investors are pouring into the market, looking to turn homes into rental properties.²⁴

Similarly, a new analysis by a leading online real estate platform, Redfin, finds that the median home-sale price in Arlington was up 17.7 percent annually to \$655,000, for the year ended in April 2019. Redfin calculates that the “only places where homes sold faster were Amazon’s hometown of Seattle and nearby Tacoma, Washington.”²⁵ Earlier this year, many local realtors were forecasting more moderate price growth around HQ2.²⁶

The inventory of homes for sale near HQ2 has largely dried up since Amazon’s November announcement.

In the Old Town Alexandria area near National Landing, there was a 47 percent fall in the number of available listings in the third week of February 2019 compared with the corresponding week in 2018, says Will Wiard, managing broker of Weichert Realtors in Alexandria.²⁷

“The lack of listings in Alexandria can be attributed to the Amazon effect, in some cases because people took their homes off the market,” Wiard said.²⁸ Ben Sage, director of the Mid-Atlantic Region for Metrostudy, a housing-market research firm, reached the same conclusion.²⁹

The same phenomenon apparently is occurring in Arlington. “Arlington’s listings dropped from 505 in October to 349 in November, says Sage, and from 330 in January 2018 to 220 in January 2019, without a big uptick in the number of sales.”³⁰ Redfin’s new analysis concludes that the supply of homes on the market in Arlington was down 41.8 percent, for the year ending in April 2019.³¹

²⁴ Telford, *et al.*, June 14, 2019.

²⁵ Dana Olsen, *The Amazon Effect: Home Prices Are Up Nearly 18% in Arlington, Virginia*, Redfin.com Blog, May 21, 2019.

²⁶ Lerner, April 4, 2019; Axios.com, *Arlington sees housing boom before Amazon HQ2 even arrives*, May 24, 2019).

²⁷ Lerner, April 4, 2019.

²⁸ Lerner, April 4, 2019. Wiard added: “For comparison, in Fairfax County, the number of listings was down just 3.7 percent compared to 47 percent in Alexandria.”

²⁹ Sage found: “In October, there were 423 listings in Alexandria, and in November there were 243 listings,” he said. “In January 2019, there were 149 listings in Alexandria, compared to 289 listings in January 2018. But the sales pace stayed steady in those months, so that tells us that some people simply took their homes off the market.” Lerner, April 4, 2019.

³⁰ Lerner, April 4, 2019.

³¹ Olsen, May 21, 2019.

The new, \$1 billion Innovation Campus to be built by Virginia Polytechnic University (“Virginia Tech”) in Alexandria’s Potomac Yard, is expected to add to the pressure on housing prices. That campus, which Virginia Tech announced in June will now be built even closer to HQ2 (less than two miles south of Crystal City), was part of Virginia’s economic development pitch to gain the Amazon headquarters.³²

Virginia Tech plans to graduate about 1,500 master’s degree students and 250 doctoral students there annually, once the campus is completed. It will be part of a 65-acre, mixed-use development. That entire development will be quite close to what are now working-class neighborhoods, including the heavily Hispanic Arlandria neighborhood in Alexandria City.³³

“The close-in Arlington and Alexandria housing markets are always strong and robust, but now they’re on steroids,” according to the president of the Northern Virginia Association of Realtors, Christine Richardson. She noted that the Amazon effect may be quite far-reaching: “Rising home prices and increased demand could exacerbate the lack of affordable housing in the region.”³⁴

“In Arlington, most of the [residential building] permits are for teardowns, which doesn’t change the amount of available housing,” according to Jeanette Chapman, deputy director of the Stephen Fuller Institute for Research on the Washington Region’s Economic Future at George Mason University. She added that: “To add new single-family homes, developers will have to go to farther-out suburbs, but there’s an increasingly limited amount of development there.”³⁵

³² Patricia Sullivan, *Va. Tech to move planned campus*, Wash. Post, June 10, 2019, B1 (“Sullivan, June 10, 2019”).

³³ Patricia Sullivan, *Wary of Amazon, Latino neighborhood vows not to be pushed out*, Wash. Post, March 22, 2019 (“Sullivan, March 22, 2019”).

Median household income in Arlandria was just over \$54,600 in 2017, compared with \$93,370 in Alexandria as a whole. More than half of the residents are younger than 30, and nearly half were born in Latin America, according to the 2017 U.S. Census American Community Survey. Median monthly rent for a two-bedroom apartment is \$1,856, compared to \$3,142 in Old Town and \$2,733 in Pentagon City.

Id. By comparison, the area comprising the District, Arlington and Alexandria is 46 percent non-Hispanic white, 25 percent black or African American, 15 percent Hispanic or Latino, 10 percent Asian, and 4 percent mixed-race and other. McCartney and Sullivan, May 3, 2019 (citing According to the 2016 American Community Survey).

³⁴ Lerner, April 4, 2019.

³⁵ Lerner, April 4, 2019.

Gentrification problems documented in nearby District of Columbia

Dramatic gentrification of neighborhoods in nearby Washington, DC, and resulting displacement of many low- and moderate-income residents, has been documented recently by the Institute on Metropolitan Opportunity. That city is expected to house many of Amazon HQ2's high-paid employees.³⁶

Based on the Institute's study of the nation's the 50 largest U.S. cities: "Washington is one of the few places . . . where real displacement is actually occurring," according to Prof. Myron Orfield, the Institute's director. That group tracked demographic and economic changes in neighborhoods in those cities from 2000 to 2016.³⁷

"A huge swath of [Washington, DC] is experiencing gentrification and displacement," the Institute found.³⁸ Most of the people pushed out of these economic hot spots are black and low income, according to the Institute's data. The researchers reported: "Since 2000, the same neighborhoods have seen overall population growth of 19 percent, and white population growth of a staggering 202 percent."³⁹

Amazon-related housing issues in Seattle—its original headquarters

"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.⁴⁰

Amazon has experienced prodigious growth at its Seattle headquarters. The company's predecessor started in a garage in Bellevue, Washington, in 1994. Amazon grew to about

³⁶ Marissa J. Lang, *Gentrification in D.C. means widespread displacement, study finds*, Wash. Post, April 26, 2019 ("Lang, April 26, 2019"). See Institute on Metropolitan Opportunity, *American Neighborhood Change in the 21st Century*, p. 25 (April 2019) ("Since 2000, Washington, D.C., suffered the most widespread low-income displacement of any major central city. In Washington, about 36 percent of population lives in areas that have experienced economic expansion with low-income displacement.")

³⁷ Lang, April 26, 2019.

³⁸ Lang, April 26, 2019. The Institute pointed, for example, to an area stretching from Logan Circle to Petworth, and including neighborhoods like Shaw and Columbia Heights. In the Navy Yard neighborhood, where about 77% of residents in 2000 were identified as low income, only 21% of residents were identified that way in 2016. *Id.*

³⁹ Lang, April 26, 2019.

⁴⁰ 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").

5,000 employees in 2010 and 45,000 today.⁴¹ Amazon plans to hire an additional 9,000 new employees in Seattle in the near future.⁴² Amazon reportedly is now the world's most valuable public company.⁴³

In 2015, Seattle city officials “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.”⁴⁴ In November 2017, the *Seattle Times* reported:

Apartment rents this year are 63 percent higher than in 2010, as Seattle has become the fastest-growing city in the country. Home costs are rising faster here than anywhere in the nation, and have doubled in the past five years, pushing the middle class to surrounding, less expensive towns.

Seattle now also has the nation's third-highest concentration of mega-commuters — people traveling at least 90 minutes each way to work. Their numbers have grown 72 percent in five years.⁴⁵

Displacement of working-class black residents near new Amazon structures in Seattle is evident in the historically African American Central District, two miles to the east of four new Amazon towers and other Amazon facilities under construction. African Americans now make up about 15 percent of the Central District's population, down from 21 percent when Amazon arrived nearby in 2010.”⁴⁶ The Central District now houses “an upscale apartment building, similar to two across the street that cater to tech workers and other professionals who have been supplanting middle- and working-class black residents.”⁴⁷

However, “Amazon has also begun turning around the reputation that it's done little to alleviate the problems stemming from Seattle's growth.”⁴⁸

The company recently said it would house a homeless shelter in one of its new offices and is offering nonprofits space for restaurants in some of its

⁴¹ 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). See also, e.g., Robert McCartney, *Amazon in Seattle: Economic godsend or self-centered behemoth?* *Wash. Post*, April 8, 2019.

⁴² McCartney, April 8, 2019.

⁴³ Sullivan, March 22, 2019.

⁴⁴ Tracy Jan and Kathy Orton, *Amazon's arrival could deepen inequality in DC region*, *Washington Post*, Nov. 14, 2018, A21 (“Jan and Orton”).

⁴⁵ Rosenberg and González, November 30, 2017.

⁴⁶ McCartney, April 8, 2019.

⁴⁷ McCartney, April 8, 2019.

⁴⁸ Rosenberg and González, November 30, 2017.

other buildings. It donated \$10 million to the University of Washington last fall, created plazas for public use and has helped underwrite the South Lake Union streetcar.⁴⁹

Amazon executives say that all told, Amazon has contributed \$80 million to public and private efforts to support affordable housing and prevent homelessness in Seattle.⁵⁰

HQ2-area funding for housing by governments and Amazon

The Virginia government, as well as Arlington and Alexandria, have committed a great deal of money to help preserve and create affordable housing. Arlington and Alexandria expect to rely on tax revenue from HQ2 to fund at least \$15 million annually to invest in housing affordability projects for the next ten years.⁵¹

Also, the Virginia Housing Development Authority has pledged an extra \$15 million annually for five years for such projects in Northern Virginia. That money is in addition to the \$300 million that the Authority provides annually for rental housing in Northern Virginia, and the \$600 million per year it provides for homeownership financing there.⁵²

Amazon already has pledged substantial contributions to housing charities in the DC region. On June 12, Amazon announced that it will donate \$3 million to support affordable housing in Arlington County. (The company also will make a \$5 million contribution to a similar housing charity in Seattle) In addition, Amazon will match its employees' contributions, up to \$5 million, to selected local charities that aid housing in the DC region or Seattle, through Sept. 30.⁵³

⁴⁹ Rosenberg and González, November 30, 2017.

⁵⁰ McCartney and Sullivan, May 3, 2019.

⁵¹ Lerner, April 4, 2019.

⁵² Lerner, April 4, 2019.

⁵³ Robert McCartney, *Amazon donates to Va. housing initiative*, Wash. Post, June 12, 2019, B1. Amazon also has committed substantial education funding in the DC area, and near other Amazon facilities, for courses related to its industry. Much of that funding is earmarked for schools in low-income and underserved communities.

In April, Amazon awarded grants to twenty-five schools in low-income and underserved communities in the DC area, to expand computer-science opportunities and start robotics clubs. Those schools were among 100 schools near Amazon sites that received such grants. Debbie Truong, *Amazon awards grants to Washington-area schools to expand computer science*, Wash. Post, April 12, 2019. In June, Amazon announced that it will help and Northern Virginia Community College and George Mason University (also in Northern Virginia) create a new, high-tech bachelor's degree to help meet Amazon's future workforce needs. McCartney, June 12, 2019.

Those substantial investments give reason for optimism that gentrification, displacement, and housing price escalation related to HQ2 can be limited. However, minimizing those problems will be a heavy lift for the governments involved, and for Amazon.

Jay Carney, a senior vice president with Amazon, maintains that its new headquarters in Northern Virginia will not aggravate housing problems the way it has in Seattle. For one thing, he points out, Amazon will be able to plan for growth better now.⁵⁴ He says when Amazon was starting out in Seattle, officials didn't know the company would undergo explosive growth and create 45,000 jobs.

Carney notes the company's position that government is primarily responsible to ensure there is an adequate supply of affordable housing.⁵⁵ Sen. Mark R. Warner (D-Va.), said on Washington radio station WAMU in March, however, that the "Achilles' heel" of the headquarters project is affordable housing. "Amazon needs to have some skin in the game in helping the region create the affordable housing so folks . . . don't get pushed out."⁵⁶

Conclusions

Along with the huge number of high-paying jobs and the tremendous tax revenue that Amazon's HQ2 is bringing to the DC area and the Commonwealth of Virginia, there will be tremendous housing challenges. Major gentrification of neighborhoods near that headquarters, and displacement of many low- and moderate-income residents, appears inevitable. So does housing price escalation throughout Arlington, Alexandria, and many other area jurisdictions.

How will the local and state governments, and Amazon, manage the housing challenges? There are some reasons for optimism. For example, there are:

- Many present and future transit options for HQ2 employees who live far from National Landing—including Metrorail (commuter rail), commuter trains, and planned bus rapid transit, in addition to major interstate highways such as I-395, and other traffic arteries;
- Hundreds of millions of dollars committed by the Arlington, Alexandria, and Virginia governments to create and preserve affordable dwelling units near HQ2; and

⁵⁴ Robert McCartney and Patricia Sullivan, *Amazon says it will avoid a housing crunch with HQ2 by planning better than it did in Seattle*, Wash. Post, May 3, 2019 ("McCartney and Sullivan, May 3, 2019"). (Carney, a former press secretary for President Barack Obama, is head of Amazon's global corporate affairs and reports to chief executive Jeff Bezos, who owns the *Post*.)

⁵⁵ McCartney and Sullivan, May 3, 2019 ("We want to be part of the solution," Carney said. "We want to work really closely with officials and others. . . . But as a citizen, I don't want to turn over government functions to private entities.").

⁵⁶ Patricia Sullivan, *Wary of Amazon, Latino neighborhood vows not to be pushed out*, Wash. Post, March 22, 2019 ("Sullivan, March 22, 2019").

- Greater awareness by all those governments, by Amazon and the general public, of the importance of addressing housing problems resulting from development pro-actively, including displacement problems.

However, successfully managing the housing-related problems posed by the Northern Virginia HQ2 will require unprecedented efforts by those governments, and by Amazon. We have not seen a plan by any of those entities laying out specifically how the problems will be minimized.

One key part of the solution is for Northern Virginia governments to make full use of their authority to require inclusion of a certain number of affordable dwelling units (ADUs) in new, market-rate residential buildings. Housing developers would be protected from financial loss, due to those requirements, by “density bonuses” (extra, market-rate units sufficient to balance any losses on ADUs).

In addition, local and state governments should consider:

1. Preserving existing low- and moderate-income neighborhoods near HQ2—if and where feasible; and/or
2. Devoting appropriate land reasonably close to those neighborhoods for suitable housing to which their residents may relocate.

The latter approach could include well-established steps such as:

- Co-locating new ADUs with public facilities;
- Facilitating creation of community land trusts, which can increase the number of permanently affordable housing units; and
- Maximizing the use of low-income housing tax credits (LIHTC) to promote private development or rehabilitation of residential buildings that include a good mix of ADUs.

The local and state governments in Virginia and Maryland, as well as the District of Columbia government and Amazon itself, need specific plans for successfully managing the housing challenges related to Amazon’s predicted growth. Unprecedented, proactive planning and investment will be needed to improve housing supply, curb housing price escalation, and minimize displacement of low- and moderate-income residents.