

States continue to throw tax breaks to Amazon



David M. Kall | Thursday, October 5, 2017

In December 2016, the Michigan Economic Development Corporation (MDEC) gave Amazon a \$7.5 million grant for 1,000 jobs at a new, \$90 million fulfillment center in Livonia.

Three months ago, MDEC gave the tech giant another \$5 million grant for the creation of a fulfillment center in Romulus, in return for the promise of a \$140 million investment and 1,600 new jobs.

And last week, MDEC again **announced** a third Amazon grant, this one for \$4.5 million, on the tech giant's assurance that it would invest \$40 million to build a new one-million-square-foot state-of-the-art fulfillment center, and create more than 1,000 full-time jobs, in Shelby Township.

That brings the total Amazon grants in Michigan to \$17 million in less than one year, in return for \$270 million in investments in the state, including the creation of 3,625 full-time jobs.

Similarly, in Ohio in late August, Gov. John Kasich issued a **press release** applauding a 1.35 percent, 10-year Job Creation Tax Credit on the expectation that Amazon will create 2,000 full-time positions, and generate \$55.4 million in new annual payroll, in Cuyahoga County's Village of North Randall. A comparable project in Monroe, in Warren County, fetched a 1.391 percent, 10-year Job Creation Tax Credit in return for 1,000 new full-time positions and \$26.7 million in new annual payroll. According to **Bloomberg**, the value of these tax credits is \$7.5 million and \$3.7 million respectively.

Just a month later, in late September, Amazon.com **publicized** its third new deal in Ohio, a 650,000 foot

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fulfillment center in the Euclid, also in Cuyahoga County. This is actually its fifth, and adds 1,000 new jobs “to the more than 6,000 Amazonians already working in the state.” The two existing fulfillment centers are located in Etna, in Licking County, and Obetz, in Franklin County. Ohio has not yet released information on the percentage or value of the tax credits.

Meanwhile, in New York, also in late September, Gov. Andrew Cuomo **announced** \$20 million in performance-based job credits for Amazon’s \$55 million investment “to outfit the 359,000 square-foot office space [in Manhattan] using energy-efficient standards. The expansion will create 2,000 new jobs in finance, sales, marketing, and information technology that will earn an average of \$100,000 annually. Amazon will also retain over 1,800 jobs in New York State.”

Competition for second Amazon headquarter location

Amazon’s choices just keep growing. On Sep. 7, 2017, it **launched** its nationwide search for a second headquarter location. For this, the company plans to invest over \$5 billion in construction, and secure 50,000 high-paying jobs, on top of the “tens of thousands of additional jobs and tens of billions of dollars in additional investment in the surrounding community.”

In Seattle, Amazon claims that its headquarters operations have resulted in an additional \$38 billion to the city’s economy, because “every dollar [invested] in Seattle generated an additional 1.4 dollars for the city’s economy overall.” There are 33 buildings taking up 8.1 million square feet of space, housing 40,000 employees, 24 restaurants and eight other services in the Emerald City.

In Amazon’s **request for proposal** for its second headquarter location (HQ2), it put forth the following:

It has a preference for:

- Metropolitan areas with more than one million people
- A stable and business-friendly environment
- Urban or suburban locations with the potential to attract and retain strong technical talent
- Communities that think big and creatively when considering locations and real estate options

HQ2 could be, but does not have to be:

- An urban or downtown campus
- A similar layout to Amazon’s Seattle campus
- A development-prepped site. We want to encourage states/provinces and communities to think creatively for viable real estate options, while not negatively affecting our preferred timeline.

Priority for consideration (in no particular order):

1. Existing buildings of at least 500,000+ sq. ft., meeting the core requirements described in the RFP, and that are expandable or have additional options for development nearby.
2. A greenfield site of approximately 100 acres certified or pad ready, with utility infrastructure in place. The sites do not have to be contiguous, but should be in proximity to each other to foster a sense of place and be pedestrian-friendly.
3. Other infill, existing buildings, including opportunities for renovation/redevelopment and greenfield sites, meeting the proximity and logistics requirements of the Project. This can also be a combination of the above.
4. Overall proximity of the buildings at full build-out.

Not surprisingly in light of Amazon’s activity in Michigan, Detroit will bid on the HQ2. **Crains Detroit Business** pointed to the city’s “supply chain management talent pool, which tops the country,” and “the creative class thinking digitally, not just software engineers,” among other things, that can help Amazon solve its problem of “maintaining a steady stream of educated workers, [its] single biggest bottleneck.”

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Cleveland has thrown in its hat too. A *Cleveland Scene* [article](#) contained a “bare-bones” joint statement by Mayor Frank Jackson and Cuyahoga County Executive Armond Budish in which the two “envision Amazon potentially being a major part of the region’s growth.” Underscoring Cleveland’s “underdog” status, the politicians expressed confidence in the city’s competitiveness, based on the fact that it was the Republican National Committee’s choice for that party’s convention in 2016.

The Garden State is another option for Amazon. On September 27, 2017, two New Jersey lawmakers sent a [letter](#) to Gov. Christie committing to taking legislative action to “fully incentivize Amazon’s HQ2 project. “Chief among” the reasons that their state would make an “ideal location” is the “strong incentive package” they plan to offer, including \$5 billion over the life of the project, not subject to existing caps. The pair contemplate making additional legislative changes “tailored to accommodate HQ2,” including easing restrictions on carry-forward tax credits.

In Chicago, [Geekwire](#) reported that officials had formed a 600-person committee, co-led by Chicago Mayor Rahm Emanuel and Illinois Gov. Bruce Rauner. And in New York, [Crains](#) named New York City, Albany and Buffalo as contenders in the “HQ2 sweepstakes.”

Details about these and other city’s proposals will continue to flow. October 19, 2017 is Amazon’s RFP deadline, and it will make the decision in 2018.



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