

Detroit's Amazon bid pitches big tax breaks, cheap labor costs, possible ferry to Windsor

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State, local and Canadian officials have offered Amazon a giant package of tax breaks and development incentives that would extend over decades if the e-commerce giant were to pick the Detroit and Windsor region for its second headquarters.

Confidential details of the tax breaks, as well as Detroit's official 242-page bid book, were obtained Wednesday by the Free Press. The documents describe how government officials are willing to forgo decades of future tax receipts in exchange for the economic benefits that they expect to arrive from landing Amazon's headquarters.

For instance, Amazon would get to pocket all of the new state income taxes that many of its Detroit employees generate for 10 years, and capture half of those taxes for the next 10 years.

But the total cost of all the public subsidies for Amazon—state and local—was blacked out in the documents released to media organizations.

"Detroit is ready to partner with Amazon and we are focused on a long-term approach of creating value for you, our city and the entire region," Detroit businessman Dan Gilbert, chairman of the region's Amazon bid committee, wrote in the bid book's cover letter.

"The road has been paved for Amazon. There is no better place for you to innovate and continue to improve the delivery of your customer

service," Gilbert wrote.

Amazon has said it will fill its second headquarters with as many as 50,000 new full-time employees over the next 10 to 15 years who would earn more than \$100,000 a year in wages and benefits. All told, the headquarters would mean more than \$5 billion in new investment, Amazon said.

Amazon has said that 238 cities and regions submitted proposals by the October deadline, and the company is expected to make its decision in early 2018. Details of Detroit's proposal were first reported Wednesday by Crain's Detroit.

The newly obtained bid documents pitch Detroit and its revitalized downtown as a low-cost city for doing business that is "breaking away from the blue collar stereotype" and can accommodate Amazon's workforce without much trouble.

It says there is potentially 8 million square feet of office space available for Amazon in Detroit and Windsor, including more than 3 million square feet that could be available right now if Gilbert's mortgage company, Quicken Loans, gave up some of its premier space around downtown's Campus Martius.

It also mentions office space options in the region, pointing to the 200-plus acres of available land at the site of the shuttered Northland Center mall in Southfield.

Detroit's bid emphasizes how the Detroit-Windsor market would be relatively cheap for Amazon and its workers compared with other major metro areas.

Cheap rent

It notes how Class A office rents in downtown are \$22 per square foot, about half the rates of other major downtown markets, and says the \$88,000 Detroit average salary for software developers is well below the \$128,000 average in Seattle, where Amazon currently has its sole headquarters.

The bid book includes colorful photos and leasing rates for several newer apartment developments in downtown Detroit, including The Albert (\$1,525 a month for a one-bedroom apartment) and Merchants Row (\$2,020 a month for a two-bedroom). While those rents may seem high by historic standards in Detroit, they are good deals compared with many major cities.

"Earning \$88,000 in Detroit is equivalent to earning \$124,000 in Seattle," the bid documents say. "Because the city was built for a much larger population, there is ample room for growth without land scarcity causing sharp increases in rent."

To improve transportation options, the bid documents say a new Detroit River ferry service could be started between Amazon's Detroit and Windsor offices. Additionally, the city's new QLINE street car on Woodward could be extended from its current terminus in New Center all the way through Highland Park to 8 Mile Road.

Big incentives

The bid documents describe the package of tax breaks and incentives as robust, valuable and available without the passage of any legislation. Recently passed state laws—pushed by Gilbert—are key to the proposal.

The new laws, passed earlier this year, would allow Amazon to keep all of the new state personal income taxes that many of its Detroit

employees generate for 10 years, and 50 percent of those income taxes for the following 10 years.

Amazon employees would still need to pay Detroit's personal income tax, which is 2.4 percent for residents and 1.2 percent for nonresidents.

Amazon's own property taxes, its corporate income taxes paid to the City of Detroit, also would be abated, as well as its utility users tax for 30 years under the Renaissance Zone Program.

The Canadian incentive package includes "prime downtown real estate, property tax increment financing, grant funding and corporate income tax credits," the proposal reads. This would be worth \$106 million in U.S. dollars if Amazon puts 5,000 workers in a 500,000-square-foot facility in Windsor.

The offer includes a commitment from the state to invest \$120 million to expand workforce development programs for technology jobs.

Ten complementary programs would cover a range of students, from kindergartners to those in adult education. The programs would include computer science scholarships, money for teacher training and subsidized childcare for Amazon's workers.

Detroit Mayor Mike Duggan's office referred all questions about the Amazon bid to Detroit Regional Chamber President and CEO Sandy Baruah.

"I was really thrilled with how the team came together to paint the picture to tell the story of what's happening in the region," said Baruah, who is on Detroit's bid committee team. "I feel very comfortable with the approach we took and the case we presented for the Detroit region."

Baruah would not answer questions about the overall value—which was blacked-out from documents—of the Detroit region's incentive package to Amazon.

"That's not my number to share," he said. "Our organization doesn't do the incentives."

Giveaways too big?

However, some questioned whether the Detroit bid's large incentives package is fair to taxpayers.

"I would love to see Amazon locate in Detroit and hire people here and be a great part of the community. That'd be awesome," said John Mozena, a local communications consultant and free market advocate who recently worked at the Mackinac Center for Public Policy. "But I don't think they deserve any better and I don't think they should be paying less taxes than a company that employees one or 10 or 100 people."

The various taxes on which Amazon would get a break pay for education, public safety and other services. If Amazon picks Detroit, the need to pay for those services likely will increase with a corresponding population surge, said Greg LeRoy, executive director of Good Jobs First, a Washington-based, left-leaning fiscal watchdog group.

"If they're not paying anything to cushion the blow and absorb the costs induced with their arrival, then everybody else is going to get stuck with the bill," LeRoy said.

Despite concerns about the size of the Detroit bid's giveaway, Amazon's potential to further the city's resurgence remains attractive to local leaders.

LaMar Lemmons, a Detroit Public Schools Community District board member, envisioned Amazon improving the city's public education system by providing a pipeline to new jobs.

"They could be a tremendous asset in supplemental education," Lemmons said. "I would be able to trade off some tax benefits in exchange for that."

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