Public Auction, Private Dealings:

Will Amazon’s HQ2 Veer to Secrecy Create A Missed Opportunity for Inclusive, Accountable Development?

by
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Good Jobs First
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“I think a lot of us believe this, that democracy dies in darkness, that certain institutions have a very important role in making sure that there is light.”

Jeffrey P. Bezos
Owner of the Washington Post and founder and CEO, Amazon.com
May 2016 Washington Post technology forum
Acknowledgments

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We also acknowledge MuckRock.com, a cooperative hub for investigative journalism whose “America Bids on Amazon” page provides copies of those bid documents known to have been disclosed among all 238 bidding governments. We encourage activists, journalists and all interested organizations to use and contribute records to this effort.

Finally, we gratefully acknowledge the support of the Surdna Foundation for its support of our work on economic development accountability.

For all of Good Jobs First’s resources related to Amazon, go to:
https://www.goodjobsfirst.org/amazon-subsidies

For an investigative tipsheet on HQ2 bids, go to:
Executive Summary

Amazon.com’s so-called “HQ2” or second headquarters project—the biggest economic development “trophy deal” in U.S. history as measured in projected jobs—is now being auctioned off largely in the dark, despite the fact that it began as a public spectacle—a rare public auction for a major corporate investment. However, when it issued a second-round Request for Proposals (RFP) for 20 finalist locations, Amazon insisted on non-disclosure agreements and no media coverage of its site visits.

In veering to secrecy, Amazon took a project that revealed an enormous public appetite for democratic participation in the future economic development of our cities—and then abruptly tried to frustrate it. But that hunger persists, as evidence from many cities demonstrates. Both Amazon and most of the 20 finalist governments that have not yet disclosed can start to salvage this opportunity for real public participation if they will disclose their first-rounds bids.

The need for civic engagement is especially urgent because such a large project will induce costly growth. More teachers and classrooms, more lane-miles and transit, more public safety and trash-hauling, and more water and sewer service will be needed. If Amazon bears few or none of those new costs, incumbent residents will inevitably face lower-quality public services and higher taxes.

Towards that goal of meaningful taxpayer involvement for Community Benefits, this report summarizes what little is known about the first-round bids that were submitted by the 20 locations that made Amazon’s first cut. It thumbnails the numerous forms of local engagement efforts that have emerged. It lays out specific ways for governments to stop conducting big tax-break deals behind closed doors and instead actively engage the public. Finally, it makes specific suggestions for Amazon itself to conduct the HQ2 search more openly and democratically.

The public knows almost nothing about six of the twenty HQ2 bids, and only two city bids and two state bids have been fully disclosed. In between those extremes, five localities have partially disclosed their bid documents while redacting the most salient detail: the costs of the incentive packages. In two cities and two states, some details of the bids, including cost estimates (but without good details), have leaked to the news media. Two other cities have described their bids, while claiming no incentives were offered, but listing existing programs (both as of right and discretionary). Two state bids are known only because they had to undergo legislative enactments.
After an initial burst of mostly boosterish media coverage, there has been widespread skepticism and outright blowback against what many fear will be a huge tax-break grab and negative side effects in the “winning” locality. Open letters, a national petition, biting commentaries, critical websites and public protests have occurred. As one open letter spelled it out: people want Amazon to pay its taxes and sit down to negotiate specific Community Benefits to ensure the project benefits—and does not harm—in incumbent residents.

To Amazon we say: walk your talk about earning trust and developing lasting relationships with communities. Conduct your HQ2 search in a transparent, inclusive and democratic way. Do that by: adding meetings with concerned community groups to your site visits; committing to a negotiation process for Community Benefits in your final-choice locality; renouncing any special tax breaks and instead announcing your intention to pay the same sales, property and income tax rates as do small retailers in your chosen locality; and disclosing the names of those of the original 238 bidders that have not yet identified by the news media.

To elected leaders and economic development officials, we say: Let the HQ2 episode be a game-changer. Open up your process for planning and negotiating development deals. Do that by: committing to public hearings during non-working hours in the project footprint and also in surrounding neighborhoods; making it clear there will be no incentives, land-use permits, zoning variances or infrastructure allotments until all of the likely-affected communities have negotiated satisfactory Community Benefits Agreements with Amazon—such as affordable housing, local hiring, job quality standards for all of Amazon’s employees in the state, transit system improvements, procurement that favors Minority and Women Owned Business Enterprises (MWBEs) and other local suppliers, partnerships with local schools and universities—and other benefits based on local needs.

In short, make public participation and buy-in standard operating procedures. To cling to the old, passive “prisoners’ dilemma” role for government within a corporate-dominated site location system is to invite more public disapproval for all future economic development efforts.
Introduction:
The HQ2 Auction Has Revealed Enormous Public Interest in Economic Development

From the moment Amazon.com announced the HQ2 public auction last September, there was an enormous surge of public interest. Comment threads on some news articles drew hundreds of responses, mostly consisting of people gleefully urging Amazon to choose their hometowns.

But soon, some people came to have second thoughts. News articles about the company’s history in Seattle were not all flattering. Accounts of stratospheric housing prices, a brutal white-collar corporate culture, and an insular style with little community presence jarred some, especially given the company’s top-rated consumer popularity.

Then came the first news accounts of enormous tax-break packages being assembled by some cities and states, especially New Jersey and Newark’s announced intention to offer $7 billion. The enormous burst of media coverage—complete with mayors staging all manner of public relations stunts—translated into pressure on every bidding locality to ante up more subsidies. This happened because there is such widespread public misunderstanding of how little incentives usually matter in determining where companies choose to expand or relocate.

Soon came diverse calls for engagement, and even some outright blowback:

- More than 125 community groups—with membership in at least 14 of the 20 localities that would make the first cut—signed an open letter to Amazon CEO Jeff Bezos, insisting on negotiations for Community Benefits if the company chooses their city.

- Spontaneous coalitions and deal-questioning efforts popped up in places such as New York, Chicago, Pittsburgh, Washington DC, Philadelphia, and Atlanta. “Reveal the Deal,” chanted protesters at a candidates’ forum in Montgomery County, Maryland, another finalist location. “Let’s Prioritize Communities, Not the World’s Richest Man,” says a website in Northern Virginia, also a finalist.

- More than 16,000 people signed a Change.org petition launched by urbanist Richard Florida, calling on the 20 mayors to adopt a “non-aggression pact.”

- City council members in four of the 20 cities signed onto Florida’s petition, denouncing the race to the bottom Amazon seeks to orchestrate.
• **Americans for Prosperity** launched a **social media campaign** aimed at millennials, especially concerning its possible impact on entrepreneurs.

• Columnists, TV pundits and op-ed contributors denounced what some called a “**Hunger Games**” race to the bottom, some saying they suspected Amazon already knew its preferred location.

• A *Seattle Times* columnist, citing Puget Sound’s sour history with subsidizing Boeing and then seeing it make huge layoffs, cautioned “**Groveling for HQ2 is for suckers.**”

• The lead author of this study **issued a fantasy scenario** that included daytime-television begging panels by politicians and “Survivor” or “Apprentice”-style final rounds.

Apparently averse to grassroots engagement, Amazon abruptly veered back to the old school of site location. In January 2018, as it named its first cut to 20 localities, the company issued a second-round RFP and insisted that the finalists’ responses to it be covered by non-disclosure agreements. It also let it be known that its site visits would occur with little advance notice and should happen without media coverage. (Some visits have already been reported upon, but only after they’ve taken place.)

These moves make meaningful public engagement almost impossible. They also enable public officials to retreat from the spotlight many found uncomfortable to the more familiar system of code names and secret meetings, as dictated by America’s traditional corporate-dominated site location system.

Absent sunshine, Amazon will have complete control of the conversations, while public officials will passively sit in their “prisoners’ dilemma” cells. If they remain there, we predict that none of the public officials will communicate or cooperate with each other to avoid over-spending, nor will any compare the company’s representations among themselves. Amazon will be free to say one factor matters greatly to one city and say something quite different to another, and no one will ever know that happened or be able to question the truthfulness of its assertions.

But Amazon can’t suppress the high level of public interest it has provoked. Taxpayers in the 20 localities deserve to know what was first put on the table, i.e., where the bidding opened. As we argue in our conclusion, public officials in the 20 finalist locations should seize upon this burst of public attention to reform their development process and institutionalize more public engagement. They can start that reform by fully disclosing their first-round HQ2 bids, thereby giving taxpayers greater leverage to insert their viewpoints into the rest of the negotiations.
Key Findings: Very Poor Disclosure

Given its magnitude, the Amazon.com HQ2 project absolutely merits full advance disclosure. By that, we mean posting online the full, unredacted text of every document that a government submitted to Amazon. These should include the itemized value of direct economic development incentives (both as of right and discretionary) and pledges of associated expenditures such as land parceling, relocation payments and infrastructure. It should also include any pledged or anticipated incentives that will require state or local legislative enactments.

Yet we find a very poor level of disclosure for the proposals from the 20 finalist localities. Specifically:

- Only Toronto and Boston released all of their bid documents. Both cities outlined existing incentive programs that Amazon could qualify for, but did not specify their value.

- The total costs of Maryland’s and New Jersey’s offers are known because each state considered special legislation to expand or create tax breaks for the project.

- Five cities released some of their bid documents but without the subsidy values: Denver (but some estimates are known), Montgomery County, Nashville, Philadelphia (estimates were leaked), and Washington DC.

- In five additional places, subsidy values have been announced but the full bid documents remain undisclosed: in Austin, city officials said they offered no set amount of subsidies; Columbus released a letter that outlines city’s incentive offer; California’s governor disclosed the value of the state’s financial support for Los Angeles bid; Newark subsidies were approved as a part of the state legislation package, but the city never released the actual document it submitted to Amazon; New York City officials said they did not offer any new subsidies to Amazon but admitted the company could benefit from existing programs.

- In five cases, some information about incentive costs has been leaked: Chicago, Miami (only partially), New York City, Philadelphia (vague state and local estimates) and Pittsburgh (only state estimates). Atlanta’s costs are “back-of-the-envelope” estimates.

We know almost nothing about the bids from Dallas, Indianapolis, Los Angeles, northern Virginia, Raleigh, or Pittsburgh.
A few more things stand out among the sparse disclosures:

Some cities (we know of Boston, Chicago, and New York), in addition to offering subsidies directly to Amazon, included in their bids additional monies for programs such as a city-wide affordable housing pool, loans for small businesses, or public transportation. But again, because of such poor disclosure, little is known about whether other localities bundled such broader Community Benefits with their bids.

One bid (Washington DC) includes reimbursements for each Amazon hiree who is relocated to the District. We assume some of the other bids include similar but undisclosed relocation offers (for example, Tennessee has a similar program that might benefit Amazon if it chooses Nashville). We believe such payments would prove especially controversial because Amazon’s HQ2 jobs are being sold as pure growth, not as transfers from Seattle or other cities. That is, the District is essentially saying: “we will pay Amazon to help people who do not live here take the DC-subsidized jobs.” Given that studies find that the majority of new-job takers would normally be people migrating into the metro area anyway, such a subsidy might only serve to further reduce how little the deal would benefit incumbent Washington residents.

Finally, many governors control discretionary “deal closing” funds that could add large sums to an HQ2 package. Yet the role of such programs remains vague in Texas and Georgia and is wholly unspecified in other bids.

### Public Auction, Private Deal: Key Findings Summarized by Locality

<table>
<thead>
<tr>
<th>Cities</th>
<th>Disclosed Bid #1?</th>
<th>Dollar Redactions?</th>
<th>Type of Incentives Offered</th>
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<tr>
<td>Atlanta</td>
<td>No</td>
<td></td>
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<tr>
<td>Austin</td>
<td>No, but city officials stated no subsidies were offered</td>
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<tr>
<td>Boston</td>
<td>Yes</td>
<td>Existing incentives were outlined with no dollar values assigned in the bid</td>
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<tr>
<td>Chicago</td>
<td>No, but a leak indicates $2.3</td>
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<tr>
<td>City</td>
<td>City: Yes, disclosed CFO letter; State: No</td>
<td>No</td>
<td>Discretionary and as of right subsidies offered</td>
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<tr>
<td>Columbus</td>
<td></td>
<td>No</td>
<td>Discretionary and as of right subsidies offered</td>
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<tr>
<td>Dallas</td>
<td>No</td>
<td></td>
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<tr>
<td>Denver</td>
<td>State bid: yes; Denver provided no amounts in its bid</td>
<td>State bid: yes</td>
<td>Discretionary and as of right subsidies offered</td>
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<tr>
<td>Indianapolis</td>
<td>No</td>
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<tr>
<td>Los Angeles</td>
<td>State: yes; city: no</td>
<td>No</td>
<td>Discretionary and as of right subsidies offered on the state level</td>
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<tr>
<td>Miami</td>
<td>No</td>
<td></td>
<td>Discretionary and as of right subsidies most likely will be offered</td>
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<tr>
<td>Montgomery County</td>
<td>Yes</td>
<td>State: Not redacted, per special legislation; county: yes</td>
<td>Discretionary and as of right subsidies offered on the state level</td>
</tr>
<tr>
<td>Nashville</td>
<td>Yes</td>
<td>Parts related to subsidies, including possible dollar values, were withheld</td>
<td>Discretionary incentives may have been offered</td>
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<tr>
<td>Newark</td>
<td>Bid document not disclosed but a subsidy package was approved by the state legislature that includes local tax breaks</td>
<td>No</td>
<td>Discretionary and as of right subsidies offered on the state level</td>
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<td>New York City</td>
<td>No</td>
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<td>Northern Virginia</td>
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<td>Philadelphia</td>
<td>No, but state and local cost estimates were</td>
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<td>Location</td>
<td>Statement Details</td>
<td>Possible Incentives</td>
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<tr>
<td>Pittsburgh</td>
<td>No, but state estimates were disclosed by an official</td>
<td>Possible discretionary incentives were outlined</td>
<td></td>
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<tr>
<td>Raleigh</td>
<td>No</td>
<td>Discretionary and non-discretionary subsidies offered</td>
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<tr>
<td>Toronto</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Washington, DC</td>
<td>Yes</td>
<td>Discretionary and non-discretionary subsidies offered</td>
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Policy Analysis:
Amazon’s HQ2 and the Future of Economic Development

Amazon’s HQ2 project could go down in history as a prodigious public-relations stunt, staged to win a bunch of tax breaks by recruiting hundreds of politicians to compete for the company’s affection. Or it could become a turning point in U.S. history, pointing the way to a new normal in economic development that is inclusive and accountable.

Among the issues it raises:

- Is the corrosive “economic war among the states” an implacable reality, given our federalist constitution? Or in an era when globalization is viewed skeptically by many Americans, does it really make sense for states and cities to still treat each other as enemies? (Besides, at least half of the 20 finalist locations would draw commuters from neighboring states.)

- When a project is so big that it will certainly affect many people who will not gain direct employment from it—because of gentrification and displacement, traffic congestion and school crowding, infrastructure strains and tax hikes—should it not be the subject of many public meetings and a lengthy, intentional process to enable civic engagement and optimize its public value?

- Will public officials give away an overly generous tax-break package, shifting the costs of those induced costs of growth onto incumbent residents? Will the project’s legacy be that of high-tech arrogance and overreach?

- Since, in any “winning” labor market, a large majority of the new-job takers will be in-migrants to the region, will there be local-hiring preference systems created to help maximize local employment benefits?

- Even though the white-collar jobs at HQ2 are projected to pay an average of $100,000 per year, Amazon’s typical worker is a warehouse “picker,” a high-turnover job making so little that a family of three will qualify for several kinds of social safety-net programs. Should a state with such a low-road employer reward it with massive tax breaks? Or should it tie any headquarters subsidies to Amazon improving the quality of all of its jobs?
Amazon’s Sophisticated Internal Site Location Capacity

Perhaps uniquely among major retailers, Amazon.com has officials whose job titles include the phrase “Economic Development.” That has been true since early 2012, when it hired Michael P. Grella, a prominent economic development tax incentives consultant. As he would later recount in his LinkedIn autobiography:*

“The Director of Economic Development role was created within Amazon’s Legal Public Policy Department in March 2012 to raise the bar in government negotiations, earn trust and develop lasting relationships with public officials and partners. As Amazon ramped up expansion of its physical footprint globally... the need arose for consistency in messaging and direct line of communication to public sector executives about Amazon’s expansion projects...”

Observers understood Amazon’s creation of an internal site location capacity to reflect its aggressive build-out plans for warehouses and data centers. The HQ2 project was unforeseen. But now, in retrospect, that capacity is also clearly part of the HQ2 story: Amazon needed the ability to manage a very large project (even if, as many suspect, the company knew ahead of time which place, or handful of places, were its top choices). Today, the company’s HQ2 search process is led by Holly Sears Sullivan, who joined the firm in 2016 after heading county-based economic development entities in Tennessee and Maryland.

We recite this history to argue that Amazon knew very well what it was doing when it chose to stage the HQ2 competition as a public auction. It can continue to use that expertise now in a reversion to the “old school” style of secrecy and exclusion. Or it could embrace the “trust and ...lasting relationships” values professed by Grella’s profile and make it clear to the 20 competing localities that they are free to release their first-round bids. It could even reverse its recent instructions and make the second-round bids public.

Public Process Reforms are Critical for Inclusion and Accountability

As it has in so many ways, Amazon disrupted economic development norms, breaking the rules with its rare public auction (only the sixth is U.S. history after General Motors/Saturn, Boeing three times, and Tesla). But few public officials chose to reciprocate and embrace transparency, even though they were responding to a broadly-worded, everything-but-the-kitchen-sink Request for Proposals (RFP) that was posted online. Amazon did not disclose any proprietary business information, nor did it impose non-disclosure agreements (NDAs) as part of the first-round process.
It’s an insufficiently-studied aspect of economic development reform, but the process of negotiating and shaping a deal determines if any meaningful public participation can occur. And for a project this big, no effective public process could take less than a year.

Disclosure always comes first: Toronto is pleased by the fact that its HQ2 bid has been downloaded about 12,000 times; this can only be a terrific boon for greater awareness of the city’s economic development assets.

There need to be public hearings, during non-working hours (i.e., evenings and weekends), in the project footprint, and again in each of the surrounding neighborhoods. The city council or county board need to make it clear that they will not enact any special incentives or the necessary land-use permits or zoning variances or infrastructure allotments until all of the likely-affected communities have negotiated satisfactory Community Benefits Agreements with Amazon, to address the predictable issues laid out by the 125 community groups’ open letter to CEO Jeff Bezos.

There need to be: linked safeguards to protect and build affordable housing, intentional local-hiring preferences; job quality standards (living wages, full-time hours, health care, paid family leave, and other benefits) for all of Amazon’s employees in the state; transit-system improvements, procurement systems that favor MWBEs and other local suppliers; partnerships with local schools and universities; and other community-specific benefits based on local needs.

Haste can make waste when assembling economic development deals. The then-largest deal in North Carolina’s history was rushed through the state legislature in one day—and the state couldn’t claw back a dime when Dell’s plant in Winston-Salem folded just five years later. Tesla’s $1.3 billion deal from Nevada was rushed through a special state legislative session in just a few days and it contains some unusually generous provisions whose impact is still uncertain. Apple negotiated a deal secretly with the state of Iowa and the small city of Waukee last year, and as the Des Moines Register editorialized:

> News of the project broke Wednesday, but documents spelling out the amount of incentives were released about 90 minutes before the state economic development board met Thursday. The meeting’s agenda included a 10-minute public comment period before approval.4

We know of special enactments for HQ2 made by New Jersey and Maryland, but it is unknown how many more bids include pledges or expectations of special new tax-break enactments; they should all be disclosed.
Good Jobs First again urges all 238 localities—and especially those finalists that have not yet fully disclosed—to publish a complete, unredacted set of their bid documents online, and announce the posting.

**To Amazon.com: Make Your Search Inclusive and Transparent**

We encourage Amazon to set an example by conducting its HQ2 search in a transparent, inclusive and democratic way, by:

- Adding meetings with concerned community groups to its site visit agendas;
- Committing to a deliberate project-negotiation process for a Community Benefits Agreement in its final-choice locality;
- Committing to not seeking special tax-break enactments and instead announcing its intention to pay the same sales, property and income tax rates as borne by small retailers in its chosen locality; and
- Disclosing the names of those of the original 238 bidding locations that have not yet been identified by the news media.

**To the Economic Development Profession: Engage or Lose Support**

It is evident to us that many economic development officials are not comfortable with the burst of media scrutiny they experienced while assembling their first-round HQ2 bids. For example, in a recent national gathering of economic development officials, we shared the dais with officials from five bidding cities. One argued against disclosure, saying that if it were published, her city’s bid would become the target of ill-informed vitriol on the internet.

To that, we said then and say again here: One cannot insist on conducting economic development behind closed doors and in the next breath condemn the public for being ill-informed. There is a sophisticated body of grassroots and non-profit experience in accountable development in areas such as local hiring, affordable housing and transit-oriented development. There is a true public hunger for greater involvement and many good results to show for past collaborations. Indeed, Good Jobs First and the Partnership for Working Families published our first manual on Community Benefits Agreements 16 years ago.

The potential downside for public officials who condescend to the general public with such secrecy is enormous. Those who insist on secrecy risk incurring the public’s wrath towards all of their future efforts—and justifiably so.
Appendix A: HQ2 Finalists’ First-Round Bid Details (or Lack Thereof)

Atlanta, Georgia

The state and the city refused to disclose their bid, but experts estimated that state as-of-right tax-related programs alone would provide Amazon with $1 to $2 billion in subsidies over multiple years.

- The state Department of Economic Development denied the release of the Amazon bid, citing a state law that prevents disclosure of documents on ongoing economic development projects.
- The $1 to $2 billion subsidy estimate comes from Peter Stathopoulos of Bennett Thrasher LLP, an accounting firm. He told The Atlanta Journal Constitution that “the value of perks [as-of-right tax breaks] Amazon could get under Georgia law probably total $1 billion to $2 billion, not including grants." No specifics were provided.
- The Atlanta Journal Constitution estimated that Amazon could benefit from $850 million in tax credits for newly created jobs (Georgia has two programs for job creation. The Job Tax Credit provides up to $4,000 per new job per year for five years. The benefit amount is based on the number of jobs created and the location of jobs. The Quality Jobs Tax Credit provides up to $5,000 per job per year for five years. The subsidy is calculated based on the wages and location of jobs. Both programs can be used to reduce state payroll withholding liability).
- The newspaper also suggests that the state could offer funds via Regional Economic Business Assistance (REBA), a discretionary “deal-closing” grant program (the grants are made to localities for a specific project; the program requires that there be competition with another state).
- The state is said to be offering transportation upgrades in metro Atlanta. Even though Atlanta’s metro system has been improving recently, it still suffers from low comparative transit ridership rates and the city is notorious for traffic congestion.
- At the local level, Atlanta could offer subsidies related to lowering or exempting Amazon’s property taxes, but details are unknown. (Through a program called Lease-Purchase Bonds, Invest Atlanta, a public-private development agency, would hold title to Amazon’s real and personal property, enabling a property tax abatements (since the facility would technically be publicly owned). Those types of arrangements usually last for 20 years).
- Gov. Nathan Deal has said if Atlanta is among the finalists he will call a special legislative session to discuss additional Amazon-specific incentives.
Sources:


J. Scott Trubey, “Amazon secrecy keeps Georgians in dark,” The Atlanta Journal-Constitution, February 25, 2018


**Austin, Texas**

Austin contracted its bid out and did not offer a specific amount of incentives. Two nearby small cities are said to have offered $242 million, plus free land; the state’s offer with Austin remains unknown (as does the state’s offer with Dallas).

- The Austin bid was submitted by the Greater Austin Chamber of Commerce, which has kept it confidential. The city and the Governor’s office claim that they do not have the bid documents. Austin Business Journal requested project emails between the city and the Chamber but the Assistant Attorney General ruled that the emails can be withheld from the public.
- Austin Mayor Steve Adler stated that (as of October, 2017) he did not have “any conversation about any specific incentives for Amazon, and no city incentive could be approved without [City] Council action.” Also, a memo from the city’s Chief Financial Officer to the mayor and the Council states that the “regional RFP did not include any incentive package offered on behalf of the City of Austin.” This, of course, does not mean that the city would not offer subsidies if selected; Amazon could apply for incentives from the city later on. News articles also suggest that “other public partners in the bid package could have offered incentives.”
- Austin could provide grants via the Chapter 380 program (a discretionary grant enabled by a state legislation; mentioned in the CFO letter); incentive approvals would follow a public process, according to the CFO letter.
- The cities of Kyle and Buda, south of Austin, in Hays County, offered $242 million in subsidies along with possibly free land (a 100-acre tract in Kyle and roughly 400 acres in the Buda area).
- The state could use its deal-closing fund if Austin or Dallas is chosen.

The CFO’s letter is at:
http://www.austintexas.gov/edims/pio/document.cfm?id=286903

Sources:


Daniel Salazar, “Transparency concerns raised in Amazon HQ2 bid process,” Austin Business Journal (Texas), February 8, 2018 Thursday

**Boston, Massachusetts**

Amazon is considering not only Boston but also Somerville, a city two miles north of Boston.

Boston disclosed its bid; it offers $92 million “to invest in opportunities that support housing and workforce development to benefit Amazon’s future employees and Boston residents.”

- $75 million for affordable housing;
- $13 million for workforce development;
- $4 million for small business loans.

- The city did not offer a specific amount of incentives that Amazon would benefit from directly. This, however, does not mean that the city would not provide Amazon with subsidies later on. Indeed, the city bid describes PILOT and TIF programs that Amazon could benefit from.
- The city proposed to create an “Amazon Task Force” that would include city-paid employees working to “support a seamless permitting process” and a city coordinator to “develop and enhance career pathways for Amazon.”
- Gov. Charlie Baker said if Boston is chosen, he would file standalone Amazon subsidy legislation.
- In mid-March 2018, for an Amazon project not involving HQ2, the Boston Planning & Development Agency approved $10 million in tax breaks if Amazon expands in the Seaport district ($5 million over $15 years would be available if Amazon creates 2,000 jobs and leases one office building; or $10 million if it leases two buildings and creates 4,000 jobs).

Boston’s bid is online: https://amazon.boston.gov/

Sources:


**Chicago, Illinois**

The city and the state's bid was not disclosed but leaked information indicates at least $2.25 billion in subsidies.

In February 2018, Lucy Parsons Labs, a non-profit organization focused on government transparency, filed a freedom of information lawsuit against the Chicago Mayor's Office seeking all information and documents about the city bid. The lawsuit is pending.

The possible $2.25 billion includes:

- About $1.32 billion in state Economic Development for a Growing Economy (EDGE) tax credits, a non-refundable corporate income tax credit calculated as a percentage of personal income tax withholdings generated by new jobs created in the state (a.k.a. “paying taxes to the boss”);
- $170 million in state sales tax exemptions for building materials;
- $60 million in property tax reductions through the city and Cook County Class 7B and 7C programs;
- $450 million in site-specific infrastructure improvements from Illinois Department of Transportation, Chicago Department of Transportation, Chicago Transit Authority, and other agencies;
- The city would invest $250 million in community programs such as education, workforce development and “Neighborhood Opportunity Funds” to “make certain that all Chicagoans can qualify for the 50,000 high-end Amazon jobs and businesses that spring up or move here to support Amazon, locate in Chicago neighborhoods;”
- Free land: The city and the state offered eight highly valued sites in and around the downtown area and two in the suburbs. It is unclear who would pay for the land, which is in private ownership, except for two locations (Michael Reese Hospital and Thompson Center sites). If Amazon chooses the Michael Reese Hospital site, the land, worth about $100 million, would be free; if Amazon builds at Thompson Center, a state office building in Chicago’s Loop, the free land would be worth even more.

Sources:


Lucy Parsons Labs’ lawsuit is at https://www.scribd.com/document/370518346/Amazon-Suit


Columbus, Ohio

The city released a letter, sent to Amazon, which outlines offered subsidies and estimates the values of some of them. Disclosed estimates could amount to about $2.76 billion; however, the city package could be much higher as some subsidies do not have price tags attached. The state’s privatized economic development agency, JobsOhio, offered an undisclosed set of state subsidies as well.

The city offer included:
• A 15-year, 100 percent real property tax abatement; the city estimates the costs at $456,750 for every $1 million invested over 15 years, or $30,450 a year for 15 years (if we assume that Amazon invests $5 billion, a back of envelope calculation suggests almost $2.3 billion in tax abatement over 15 years);
• A 15-year, 35-percent Job Growth Incentive, an annual cash grant calculated as a percentage of city personal income tax withholdings for new employees hired (a.k.a. “paying taxes to the boss”); the maximum allowed subsidy is capped at $50 million a year, and no more than a total of $400 million over 15 years;
• The city would create a Transit & Mobility Fund to support roadwork, infrastructure improvement, and development of various modes of public transportation to the Amazon site. Funds would be equal to 25 percent of the new local income tax revenue withheld on the payroll for the new full-time employees (a.k.a. “paying taxes to the boss”);
• The city would also create Land Acquisition & Site Preparation Reimbursement Fund that would reimburse Amazon for the costs of buying land, demolishing existing structures, and site preparation. The payments would start in year 16, after Job Growth Incentive expires. The payment would be capped at $5 million a year, or $75 million over 15 years.
• Amazon could also utilize the Economic Development Net Profit Incentive; the letter provides no cost estimates for this program.
• The city would also support a high-speed fiber network development.
• The package would have to be approved by the City Council and the Board of Education of affected districts.
• The city requires a minimum wage of $15/hour for incentivized jobs.

Sources:
Tristan Navera, “Columbus’ Amazon pitch includes incentives, an educated workforce and Smart City,” *Columbus Business First* (Ohio), October 20, 2017

**Dallas, Texas**

The city refused to disclose the details of offered subsidies, but “economic development officials say North Texas will be competitive with packages that run into the billions of dollars being offered in other states.”
- The bid was submitted by the Dallas Regional Chamber on behalf of the North Texas region. The Chamber, like the city, is keeping the bid confidential but the officials said that the bid included a dozen site options in the Dallas-Fort Worth area. Each locality included its own subsidy package in the bid.
- Like in Austin, Dallas could offer grants via the Chapter 380 program.
- State subsidies were part of the regional bid and "[t]he state’s deal-closing fund is expected to contribute major financial incentives if Dallas or Austin lands the deal."

Sources:


Denver, Colorado

The bid was released but monetary details were redacted. The state's portion could be worth a minimum of $100 million, according to city officials.

- The state's released bid lists possible state and local subsidies Amazon could benefit from, however dollar amounts were redacted:
  
  - Job Growth Income Tax Credit (carry-forward for 10 years, corporate income tax credit with no cap);
  - Cash grants via the Strategic Fund ($10 million fund to match local subsidies);
  - Colorado First (job training cash grant of up to $1,200 per employee);
  - Enterprise Zone (income-tax credits for companies locating in distressed areas);
  - In-state tuition rates for Amazon employees and their children;
  - The bid states that each locality would develop a customized package;
  - Because state programs are performance-based, the bid states there are no clawback provisions.
  - The package would have to be approved by the state.

- The $100 million+ estimate comes from Sam Bailey of the Metro Denver Economic Development Corporation: “Based on projections, net new jobs and wages, the incentives that the company may apply and be eligible for could be in excess of $100 million in performance-based tax credits... The disclaimer is that we do not have a defined amount. It's subject to further due diligence.” He also said: “What we benefit from in Colorado is not going to the legislature to ask for any special type of funding. We provide the same (incentive) programs to any
company...We want to show Amazon that we are a fiscally sound state that focuses on performance goals.”

- Colorado evaluated bids from its cities and counties and chose eight sites that were offered to Amazon. The sites have not been disclosed.

- The Colorado Office of Economic Development and International Trade submitted the bid.

- “There will be a sense of relief if they choose somewhere else, because there are a lot of challenges and lot of hard work we will be avoiding,” Colorado Gov. John Hickenlooper took a lot of heat for this January, 2018 statement and he soon walked it back.


Sources:


Tamara Chuang, “No bribes or cities named ‘Amazon’: Colorado’s pitch to get the next headquarters touts incentives that could exceed $100M,” *The Denver Post*, October 11, 2017; [https://www.denverpost.com/2017/10/18/amazon-headquarters-colorado-pitch/](https://www.denverpost.com/2017/10/18/amazon-headquarters-colorado-pitch/)


**Indianapolis, Indiana**

The Indy Chamber’s Regional Partnership refused to disclose the bid. A spokesperson said in a statement: “Given the nature of economic development projects such as this, the information within Indy’s regional bid will remain confidential to respect Amazon’s process and the information within it.”
Los Angeles, California

The state disclosed a letter naming up to $300 million in subsidies, while the city refused to disclose.

- The bid was prepared and submitted by the Los Angeles County Economic Development Corporation (LAEDC) at the request of the then-Chairman of the Board of the LA County Board of Supervisors. LAEDC has refused to disclose key parts of the bid.
- According to Gov. Jerry Brown’s October 2017 letter to Jeff Bezos, Amazon could qualify for
  - up to $200 million via the California Competes Tax Credit program;
  - up to $100 million in workforce training funds;
- The city could offer:
  - local property tax abatement for up to 15 years;
  - a zero-emission shuttle bus to transport employees around campus;
  - access to at least six other tax credit programs.

Source:

Miami, Florida

Miami is keeping its bid confidential, but leaked information suggests that if Amazon locates in Miami’s Overtown’s Community Redevelopment Area, the company could benefit from over $1 billion. According to the city’s mayor, Miami could use existing programs and create new ones to subsidize Amazon.

- The bid offers five undisclosed sites, including multiple sites in downtown Miami.
- If Amazon locates in Overtown’s Community Redevelopment Area located in a historic African-American neighborhood, the company could benefit from about $1 billion in subsidies.
- Mayor Carlos Gimenez said: "the county has not offered Amazon any subsidies or tax breaks that aren’t available to other companies interested in moving to the
area, but that advancing to the next round of applicants could mean a customized package..."

- Some voices opine that Miami and Florida might not offer a large package “given the backlash over so-called corporate welfare in [the] Florida [legislature].” (In recent years, Tea Party Republicans in Tallahassee have repeatedly thwarted Gov. Rick Scott as he sought more subsidy funding.)

Sources:


**Montgomery County, Maryland**

The value and some details of the state offer were disclosed; they are worth $5.6 billion and as of March 20th are halfway through legislative approval. The County disclosed parts of its bid but withheld information on subsidies.

The “Promoting ext-Raordinary Innovation in Maryland’s Economy” (PRIME) Act of 2018, a bill proposed by Gov. Larry Hogan, outlines subsidies, some of which include clawback provisions that would trigger repayments if Amazon fails to hire at least 40,000 people with average wages of $100,000 a year.

The package includes:

- $3 billion in 10-year tax credits, exemptions and grants:
  - a tax credit equal to 5.75 percent of wages for each new qualifying headquarters job (a.k.a. “paying taxes to the boss;” 5.75 percent is the state’s top personal income tax rate);
  - a state and local property tax credit;
  - a state sales and use tax exemption for construction materials or warehousing equipment;
  - $150 million in direct grants from the Sunny Day Fund ($10 million a year for 15 years).
- $2 billion in unspecified transportation upgrades.
- The package will have to be approved by the General Assembly.
- *Bethesda Beat* received a copy of the bid via a freedom of information request, but subsidy information and references to sites were redacted. (It is widely believed that the vacant White Flint mall footprint in North Bethesda is the suggested site).

The bid is online at: https://www.scribd.com/document/368784526/Montgomery-County-Maryland-s-Amazon-Proposal-Redacted-version-provided-to-Bethesda-Beat-by-county#from_embed

Sources:


**Nashville, Tennessee**

Some parts of the privatized bid were disclosed, but not subsidy costs.
- The Nashville Area Chamber of Commerce submitted the bid. Some portions of the bid were released as a response to a freedom of information request submitted by media outlets, but they did not include details on subsidies.
- The media has mentioned a possible $65 million in bridge improvements and a streetcar line to the Amazon site.
- Some city officials have criticized the bidding process and called it “absurd” and “a crazy free for all”:
  - “This is turning into a reality TV show” (Courtney Ross, chief economic development officer at the Nashville Chamber);
  - “We sent them a letter. We said, ‘Hey, we’d love to have you.’ It’s much more important for us to pass a $5.2 billion transit initiative than it is to worry about Amazon.” (Then-Mayor Megan Barry).

Sources:


Newark, New Jersey

A total of $7 billion was offered by the state and the city. The state’s $5 billion portion was approved by the state legislature just before then-Gov. Chris Christie left office.

- $5 billion from the state:
  - Grow NJ ($10,000 in corporate business and insurance premiums tax credits per job per year for 10 years);
  - Credits can be carried forward for 50 years;
  - $25 million a year in credits could be sold to other businesses (the proceeds must be spent on infrastructure improvements at its facility).
- $2 billion from the city:
  - $1 billion in property tax abatements;
  - $1 billion in local payroll-tax waiver for up to 20 years.
The bill changed the rules for Grow NJ credits so as to require Amazon to create a minimum of 30,000 jobs and invest at least $3 billion (both of those figures are 40 percent below Amazon’s stated target).

The subsidy represents “about 14 percent of [state corporate] taxes paid by other businesses for the next two decades.”

Sources:


Michael Farren, Mercatus Center at George Mason University, “Biz subsidies a loser for taxpayers; Not key factor for Amazon, which doesn’t need them,” January 27, 2018.

New York City, New York

The bid was not disclosed, but the city and state claim no special subsidies were offered, only existing programs.

- The city and the state claim they would provide only subsidies that are offered to other companies, so no new Amazon-specific breaks. The state offered the same subsidy package to four locations it originally pitched to Amazon.
- It was reported that NYC is “open to making investments in infrastructure and transit that would both benefit Amazon and the winning neighborhood.”

Sources:


Northern Virginia

This is the only multi-county region among the 20 finalists. State and local officials refused to disclose their bid and little is known about it.

State and local officials pitched four sites in northern Virginia – in Alexandria, Arlington County, Fairfax County and Loudon County – and those communities have kept their bids confidential. (Amazon Web Services, the cloud-computing service, has many data centers in Loudoun County.)

The Washington Post ran a good article on the comparative strengths of the land parcels.

Sources:


Philadelphia, Pennsylvania

An online version of the bid is at https://public.philadelphiadelivers.com/ but it does not include a section on development incentives. However, a local official disclosed that the package is worth an estimated $3 billion.

- According to Rob Wonderling, the president of the Chamber of Commerce for Greater Philadelphia:
  - The state offered $1 billion in unspecified tax breaks which would be the same for Philadelphia as for Pittsburgh (another finalist locality).
  - Any incentive package would have to be approved by the legislature.
  - The city offered $2 billion in the form of a 10-year exemption from its business net income tax.
- “What is being offered to Amazon is likely the biggest, or at least one of the biggest when you take into consideration the value of money over time, that the state government has ever offered to a company.” (It is almost twice as big as the biggest “megadeal” Good Jobs First has identified in Pennsylvania.)
Sources:

Jan Murphy, “Amazon bid likely Pa’s biggest incentive offer” *Eastern Express Times* (Pennsylvania), January 22, 2018

Jacob Adelman, “Pa. tax break offer for Amazon to top $1 billion, Philly-area business group head says” *The Philadelphia Inquirer*, October 19, 2017

**Pittsburgh, Pennsylvania**

The same estimated $1 billion from the state has been disclosed (by the Chamber of Commerce for Greater Philadelphia) while the city and county have not disclosed their components.

- Pennsylvania’s Office of Open Records ordered Pittsburgh and Allegheny County to release, by the end of February, the bid and emails related to the bid. So far the localities have not complied.
- Allegheny County Executive Rich Fitzgerald, who is also adamant about keeping the Amazon bid and negotiations confidential, admitted that subsidies do not matter to Amazon: “… the tax benefits or the tax incentives, I think will be really a small part of why Amazon makes its ultimate decision. When you look at the cost of doing business, the tax part of it is just a small part of it. It’s the cost of housing. It’s the cost of workers. It’s the cost of office space. It’s the cost of land. It’s the ease of transportation. There’s a whole lot of factors that go into that, that are much more impactful for the bottom line and the future growth of Amazon than are they going to get a 10 percent break on their taxes, or a five percent break?” (Executive Fitzgerald’s candor is exemplary, but begs the issue of why the County offered any subsidies.)

Also apropos of the Pittsburgh bid, on March 26, 2018, the Pennsylvania Office of Open Records (OOR) ruled that the state’s part of a third Pennsylvania bid from a different locality (from the Lehigh Valley Economic Development Corporation) must be disclosed within 30 days. The state is allowed to appeal the ruling, as have Pittsburgh and Allegheny County against a prior OOR ruling requiring disclosure.

Sources:

Jan Murphy, “Amazon bid likely Pa’s biggest incentive offer” *Eastern Express Times* (Pennsylvania), January 22, 2018
Raleigh, North Carolina

The city did not disclose its bid and little is known about it generally.

- Amazon is considering not only the City of Raleigh but the whole Research Triangle region, including Durham.
- The Research Triangle Regional Partnership submitted the bid, offering seven unknown sites.

Sources:

“Amazon clarifies: It’s Triangle, not just Raleigh on HQ2 shortlist,” WRAL.com, January 22, 2018; http://www.wral.com/amazon-clarifies-it-s-triangle-not-just-raleigh-on-hq2-shortlist/17281289/

Toronto, Canada

Toronto is the only non-U.S. city left in the competition. It released its whole, 190-page bid.

The city did not offer any specific amount of financial assistance but outlined programs Amazon could benefit from, such as discretionary grants and loans related
to research and development, worker training, foreign direct investment, and innovation. The bid specifies that tax related programs are restricted to Canadian controlled companies.

The bid focuses on Toronto’s’ talent, business climate, quality of life, transportation and infrastructure, and proposed sites for the project.

The bid is at: https://s3.ca-central-1.amazonaws.com/torontoglobal/TorontoRegionResponsestoAmazonHQ2RFP_PD.pdf

**Washington, D.C.**

DC released some bid documents but the values of estimated subsidies were redacted.

- The bid outlines a number tax credits, reductions, abatements and exemptions that Amazon could benefit from.
- One is the Qualified High Technology Company program, which offers tax breaks on income, property and sales taxes and tax credits for every employee hired, even if they do not reside in the city. The sales tax exemption has no annual amount cup and would run “in perpetuity.”
- The District also offered relocation reimbursements. (We assume these are also included in some of the other bids, but have not surfaced publicly yet. They have been granted by some states in previous corporate headquarters deals, but only in cases where headquarters jobs are being moved. In this case, Amazon’s HQ2 is being sold as pure job growth, not a transfer, so the District is essentially saying: “we will pay Amazon to help people who do not live here take the jobs.”
- DC would create a workforce training center dubbed “Amazon University,” which would offer “customized educational curriculum for bachelors, masters, and executive education as well as training and workforce development programs...to meet Amazon’s specific talent needs.”
- Among the released bid pages is a page that outlines “additional incentives for Amazon” but all information on that page was redacted.
- In an opinion piece in Washington Business Journal, Gerry Widdicombe of Widdicombe Consulting estimates that if DC gives the same incentive scheme it provided to Advisory Board, Amazon could receive $60 to $80 million per year for 10 - 15 years, or $600 million to $1.2 billion.

Sources:


Endnotes


2 Mike Grella, Amazon Director of Global Economic Development, LinkedIn page at: https://www.linkedin.com/in/michaelpgrella/

3 David Rider, “As we watch Amazon, its ‘HQ2’ decision-makers are watching us,” The (Toronto) Star, March 2, 2018, at: https://www.thestar.com/news/canada/2018/03/02/as-we-watch-amazon-its-hq2-decision-makers-are-watching-us.html