Amazon's Headquarters Bake Off Puts It In Corporate Welfare Spotlight

Critics attack the world's second most valuable company for seeking tax breaks in exchange for jobs.

By Spencer Soper - September 7, 2018

Newark Mayor Baraka Adds Amazon HQ2 Bid to Growth Improvement Plan

In September 2017, Amazon.com Inc. became America's most eligible corporate bachelor when it announced plans for a second headquarters. More than 200 cities across North America fell over themselves trying to woo the e-commerce giant and the 50,000 well-paying tech jobs on

offer. The more shameless attempts to win Amazon's attention included Arizona trucking a cactus to Seattle and a Georgia town offering to rename itself, yes, Amazon.

Exactly one year later, negotiations with 20 finalist cities from New York to Los Angeles have retreated behind closed doors. Instead of public displays of affection, Amazon is fending off barbs sharper than the prickers on that 21-foot saguaro cactus. As the world's second-most valuable public company weighs the tax breaks and other goodies proffered by eager suitors, it stands accused of being a corporate welfare leech that should be giving the government and its workers more rather than further milking taxpayers to expand. As the world's wealthiest individual, Chief Executive Officer Jeff Bezos also makes a tempting target.

Jeff Bezos

Vermont Senator Bernie Sanders has accused Amazon of forcing its warehouse workers onto food stamps because it doesn't pay them enough; he proposed levying a tax on large employers to help fund government assistance (the bill is called Stop Bad Employers by Zeroing Out Subsidies Act—or Stop BEZOS). Meanwhile, increasing numbers of states are reviewing whether companies are honoring their pledges to create jobs and generate economic activity. As the HQ2 bake off drags on in private, Amazon gives its critics more ammunition and time to fire away.

"The Bernie Sanders bill shows how much Amazon's brand has been tarnished by this headquarters search process," says Greg LeRoy, executive director of Good Jobs First, which monitors government investments in businesses. "The way they launched this public auction was

really ham handed. It was an obvious grab for the maximum tax break, and now they're under the microscope."

Amazon declined to comment for this story. In a blog post responding to Sanders, the company said it created 130,000 new jobs last year and that employees receiving food stamps include those who work part-time or only worked at Amazon for brief periods. The company defended its treatment of workers, saying its full-time U.S. warehouse employees earn more than $15 an hour on average, including stock and incentive bonuses. The company also says it has invested more than $100 billion in the U.S. since 2011 and created more than 200,000 full-time jobs with benefits.

Senator Bernie Sanders

The Sanders bill is unlikely to go anywhere so long as the Republicans control Congress. But more and more states are taking a closer look at trading tax breaks for jobs. Politicians eager to attract employers to their cities and towns during the Great Recession later discovered that perhaps they had given away too much and received too little in return.

Among the notable boondoggles: "The Buffalo Billions" corruption scandal in New York where money meant for economic development instead allegedly went to allies of Gov. Andrew Cuomo; in 2010 the Rhode Island Economic Development Corp. issued $75 million in bonds as part of a package to lure video game company 38 Studios away from Massachusetts in a deal that went bust and resulted in federal fraud charges.

Such blowups prompted several states to tighten controls, including Pennsylvania, Texas, Colorado, Illinois and Georgia, collectively home to seven Amazon finalist cities. Texas, for instance, withdrew or clawed back more than $30 million in incentives to 16 companies that failed to create the jobs pledged, according to a 2017 legislative report. California, New York, New Jersey and Massachusetts—also among the finalists—are among 22 states that lack robust oversight of government investments in business, but that group is shrinking, according to a 2017 study by The Pew Charitable Trusts.

“Over the past six years, we’ve seen vast improvement,” says Josh Goodman, a researcher at Pew. “Lawmakers are saying we need good information to understand how these programs are working and how they can be improved.”

Amazon is likely to welcome greater scrutiny of the economic splash made by its second headquarters, eager to steer the narrative from corporate welfare to job creation. The company has pledged to invest $5 billion over 18 years and said compensation including benefits would average about $100,000 for the 50,000 jobs expected.

The company has said it will make a decision this year and has otherwise been mum. Atlanta, the Washington, D.C. region, Philadelphia and Austin are among the places considered front-runners by Moody’s Analytics and others that analyzed the finalists based on Amazon’s criteria, which included a large labor force, proximity to an airport and a good education pipeline.

Most offers from the finalist cities remain private, but the scope of the project makes it an inevitable “mega-deal” in the billions of dollars. New Jersey has offered a package worth $7 billion to lure Amazon to Newark. Maryland is dangling $6.5 billion in tax incentives to get Amazon to set up shop in Montgomery County.

Such offers prompt concerns that cities and states could overspend. Amazon has the strongest support in Atlanta, Indianapolis and Pittsburgh, according to a poll conducted in April by Elon University, and the strongest opposition in Denver and Austin.

Amazon headquarters in the South Lake Union neighborhood of Seattle, Washington.

In the Seattle region, Amazon employs 45,000 people and the company says it has created an additional 53,000 jobs, pushing the city's unemployment rate below four percent and fueling one of the hottest real estate markets in the country. Yet even in Seattle, the company is under attack and was the primary target of a payroll tax meant to raise money for affordable housing and programs for the city's growing homeless population. The city council approved and quickly revoked the tax after Amazon threatened to halt hiring in Seattle and shift it elsewhere, highlighting yet another benefit of having a second headquarters.

The city that wins Amazon's investment—even if it offers billions—will probably get a bigger tax base, climbing wages and property values and better job opportunities , says John Boyd, principal of The Boyd Company, a corporate site selection firm in Princeton, New Jersey.

“This is the largest project in economic development history, and the city that wins Amazon will reap benefits for years,” Boyd says. “The danger Amazon faces is the longer this drags out, the greater the PR risk in this populist climate.”