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Promising Billions to Amazon: Is It a Good Deal for Cities?

A review of the 20 finalists finds that several are already forgoing hundreds of millions of dollars in potential revenue each year and might not be able to afford to give up more.

In the quest to land Amazon's second headquarters with its juicy 50,000 jobs and potential \$5 billion investment, cities have made some eye-popping proposals. Maryland's transportation chief, for instance, promised a "blank check" — an offer that has since been walked back — and Newark, N.J., pledged a whopping \$7 billion in tax breaks.

But according to a Governing analysis of the 20 finalist cities in Amazon's HQ2 search, some are already forgoing hundreds of millions of dollars in potential revenue each year through tax incentives and might not be able to afford to give up more.

Take Chicago. The fiscally strapped city, which has been repeatedly downgraded by credit rating agencies and has raised property taxes to help its budget, reported that it gave up more than a half-billion in tax revenue in 2016 via incentives primarily associated with tax increment financing. TIFs subsidize companies by refunding or diverting a portion of their taxes to help finance development in a specific area. According to the city's financial report, its giveaways in 2016 represented more than 16 percent of what the city collected in total revenue that year.

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