How to make Baltimore Amazon’s best choice

By Christopher B. Summers and Stephen J.K. Walters  October 13

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In the amazing race for Amazon’s second headquarters, which promises 50,000 jobs to the winning city, handicappers consider Baltimore a longshot. But this dark horse not only satisfies most of Amazon’s explicit criteria for its “HQ2,” it also has advantages many favorites lack. (Amazon’s founder and chief executive, Jeffrey P. Bezos, owns The Washington Post.)

Part of Charm City’s edge is geographic, part is economic, and the rest is opportune timing. Its Port Covington site, 260 waterfront acres situated a few furlongs from Baltimore’s Inner Harbor, checks off every box on Amazon’s “core preferences” list. It is just minutes from an international airport via a contiguous highway and light rail line. Nearby are several high-caliber universities; their talented graduates often stay to enjoy the city’s combination of grit and sophistication. And a 55-minute train ride will put company execs in the corridors of power on Capitol Hill.

Most important, it is beyond shovel-ready. Because Under Armour chief executive Kevin Plank saw the site’s enormous appeal a few years ago and won his campaign for subsidies that make developing it economically feasible, a plan is in place, financing is available, and infrastructure work has begun. So Amazon’s Phase I requirement of 500,000 square feet of new office space by 2019 is no problem, and there’s plenty of room to expand to the desired 8 million square feet thereafter.

All of which can be done with no fear that the development would set off a “prosperity bomb” that might destabilize neighborhoods and inflate living costs. Unlike hot spots Boston, Brooklyn and the District, Baltimore has been slow to the urban renaissance party. Housing is plentiful and cheap by East Coast standards; with a population down 330,000 from its 1950 peak, there’s abundant opportunity to buy low and restore without rubbing longtime residents the wrong way.
Which is not to say that the city and state have no work to do in satisfying Amazon’s desire for a “stable and business-friendly environment.”

How should Maryland woo Amazon? As Brookings Institution scholar Amy Liu wrote in a recent report, “conventional economic development . . . relies too often on taxpayer-funded incentives geared to one-time job creation, rather than positioning industries and assets for long-term growth.”

While Amazon has all but required a large tax incentive package in its request, we hope that city and state officials are using the precious time before the Oct. 19 deadline to put themselves in the shoes of the highly educated — and compensated — professionals who would (or already do) call Maryland home and think about what would make them want to build a life here.

Maryland’s high income tax, with a top bracket of 5.75 percent on income of more than $250,000 — which many of the engineers and executives working at HQ2 would earn — is probably a turnoff, especially when localities’ piggy-back income taxes are added in. Baltimore City’s personal income tax rate is 3.2 percent. By comparison, those working at Amazon’s HQ1 in Seattle pay no state or local income tax.

And why not talk to those who have built successful businesses in the state about what would make Maryland more attractive to them. What do they think about its sky-high corporate income tax rate — 8.25 percent — and its propensity to over-regulate business? Read about Beretta’s 2016 move to Tennessee, for example. As the company’s lead U.S. lawyer told CNN, the company realized “with the stroke of a pen our ability to manufacture products for the armed forces, or police, or even civilians, could be blocked.” This, after operating in Maryland since the 1970s.

If both of those taxes could be lowered and regulation made more predictable, combined with the $9 billion in transportation improvements recently proposed by Gov. Larry Hogan (R) to reduce congestion on three of the state’s busiest highways, then not only Amazon but also countless other businesses would put Maryland in their sights. When combined with the state’s highly educated workforce and high quality of life, Baltimore’s and Maryland’s economies could take off after years of stagnation.

Becoming business-friendly, though, involves more than just marketing our strengths — it requires a real commitment to product improvement. Amazon didn’t get into retailing by opening another shopping mall. It reinvented how people shop. To think that repackaging tired incentives will work for a company of its ambition is to fail before starting.

We hope Maryland’s state and local officials use this opportunity to envision how the state could be instead of just marketing what has been and should be no more. The nation is watching this race; let’s do what’s truly necessary to win it.
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