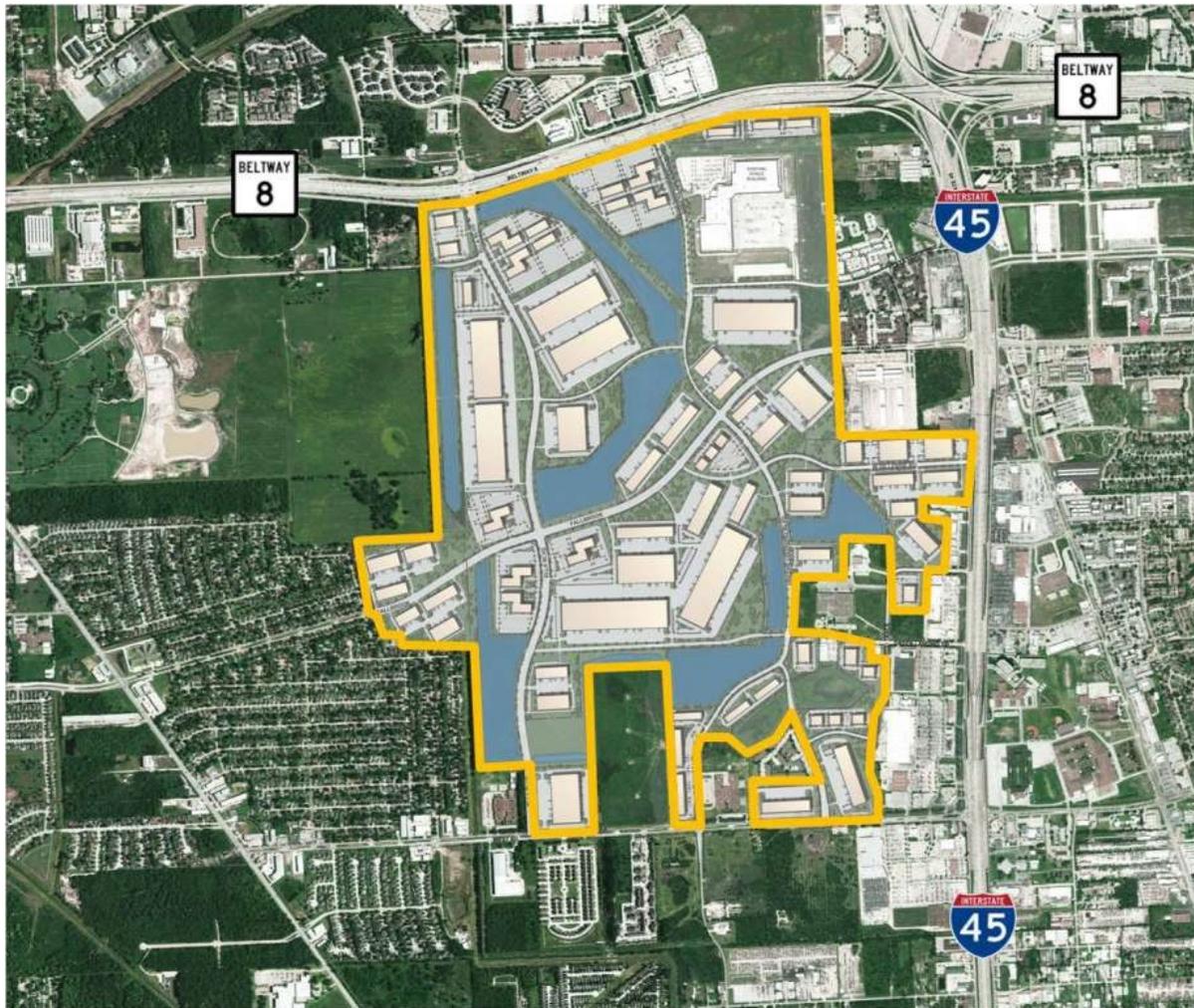


Houston drags its feet on getting the most out of tax breaks

By Lydia DePillis

Many Texas cities use them to leverage higher wages -- but not this one.

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Aerial photo of the master plan of the Pinto Business Park near the southwest corner of Beltway 8 and Interstate 45 North

Aerial photo of the master plan of the Pinto Business Park near the...

At the end of June, Harris County approved a \$7 million property tax abatement for a giant Amazon distribution center at the intersection of I-45 and Beltway 8, a sweetener aimed at keeping Amazon from locating to another community with lower taxes.

Amazon didn't have to prove it needs the money. And it probably doesn't: The web retailing behemoth just passed Exxon Mobil in terms of its market value, and posted an all-time high profit of \$857 million last quarter.

So what is the county getting for its accommodation? The 855,000-square foot facility will cost \$136 million to construct and create 1,000 warehouse jobs, [according to a prospectus](#) provided to the county. It may also allow residents to receive their Amazon packages a little bit faster.

But all that probably would've happened anyway — it's unlikely Amazon would've foregone easy access to Houston's huge market over a measly \$7 million. The real question is: What could the county have gotten?

Translator

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While new jobs are always welcome, the quality of jobs matters too. Amazon says its low-level workers will make between \$23,000 and \$30,000 a year — barely a living wage in increasingly expensive Houston. And there's no telling what the workers who build the warehouse will make, or whether they'll have workers compensation, good health care benefits, and safety training.

That's because [all that's required](#) to get a tax abatement in Harris County is for a company to create 25 jobs, increase the property tax rolls by \$1 million, and say it has other options. Groups that represent workers say Harris County and other communities should drive a better bargain.

"Whenever local government is going to spend our money to create jobs, it should be creating good, safe jobs," says Jose Garza, director of the Austin-based Workers Defense Project, which is planning to open a Houston office soon. "The track record at least here in Texas of creating good safe jobs through tax abatements is spotty at best."

Last year, the Workers Defense Project put out a report with the Lyndon B. Johnson School of Public Affairs at the University of Texas on what the state's cities got for their development dollars. Between 2003 and 2014, Houston [spent \\$229 million](#) in grants, tax abatements, and infrastructure assistance to subsidize corporate expansions and relocations — but asked for nothing in the form of higher wages or better benefits.

Earlier this spring, advocacy groups including the Texas Organizing Project pushed the Houston City Council for an ordinance that would require companies to meet certain labor standards to gain tax breaks, such as [those that were handed out for developers](#) to build housing projects in Midtown -- which [could cost up to \\$75 million](#) -- or [store oil in underground caverns](#).

Instead, the council [passed a non-binding measure](#) that encourages companies to provide decent wages and benefits. It needed no enforcement mechanism because there were no requirements — just a signal that the city would appreciate applicants to show a little effort.

Houston, and Harris County for that matter, wouldn't be doing anything unusual by requiring projects benefiting from tax abatements to provide better jobs. It's something that cities from Philadelphia to Richmond, Calif.. have already done, and [dozens of states as well](#) — including Texas, which [requires recipients](#) of local school property tax abatements to pay at least 110 percent of the local average wage, which varies around the state.

"I would've guessed that Texas has looser standards than many states, but it actually has great standards," says Thomas Cafcas, a research analyst at Good Jobs First, a nonprofit in Washington that advocates for stricter oversight over development incentives. "It's not driven by partisanship, it's driven by hard-nosed economics."

Texas requires local jurisdictions to create a set of criteria for tax incentives, and while the criteria can be as lax as politicians want, they usually include some kind of wage standard. A few examples: [El Paso](#) requires that all jobs created by the project pay at least the county's median wage, which is about \$17 an hour. [Corpus Christi](#) stipulates that all jobs must pay a "living wage" for a family of three, which can be adjusted according to the local cost of living; [San Antonio](#) requires the same for a family of four, currently \$11.47.

Most recently, San Marcos, a city of 55,000 near Austin, [enacted](#) a \$15 wage requirement for any company receiving assistance. And a few years ago, in response to a campaign by the Workers Defense Project, the city of Austin [passed a bill](#) requiring that recipients pay at least \$13.03 for all jobs created by the project, plus benefits and safety training.

Now, in the years since the passage of Austin's law, no new tax abatements that would be subject to it have passed. Business groups argue the new requirements are impeding the city's ability to attract big-ticket projects that have their pick of cities.

"What we warned is that we were hanging more and more ornaments on one branch, and it was going to bow a little bit deeper," said Drew Sheberle, vice president for advocacy at the Austin Chamber of Commerce. "You can see a cause and effect. It is causing them to do calculations and recalculations that they might not otherwise."

It's also true, however, that the Austin City Council has lately been less interested in granting tax relief for an area that has already experienced beltway-busting growth. If the companies go somewhere else with richer tax breaks, some political leaders reason, then perhaps the city didn't need them anyway.

The money, they say, would be better spent improving schools and infrastructure in ways that make Austin more attractive to companies on the fundamentals, rather than the cash extras.

"From conservatives to hard core progressives, our constituents are just much more averse to these tax incentives," says Councilmember Greg Casar, who helped pass the ordinance when he worked for the Workers Defense Project.

Not all cities are willing to give up incentives entirely, though. It's a game that many are forced to play, with companies hiring consultants to play one state, one city, one economic agency against another. But job quality standards needn't discourage companies from taking advantage of tax breaks, says Chuck Gremillion, who runs a Houston construction career program that some big property owners — mostly public ones, like M.D. Anderson Cancer Research Center — have used to staff their projects with skilled workers who receive decent benefits.

"If tax incentives were used properly, they can accelerate what we're trying to do," Gremillion says. His Construction Career Collaborative, or C3, aims to raise wages by training workers to be more efficient. That way, he says, work performed by well-paid workers needn't cost much more than the current going rate. ([According](#) to the Labor Department, Houston construction workers make \$14.99 an hour on average, which is the lowest of the 10 largest construction markets except for Dallas.)

Even enforcing current laws would help, Gremillion says. Many workers are improperly classified as independent contractors, and given no benefits at all, especially the 50 percent of the workforce he estimates is undocumented.

It may be that Houston is considering a boost to its weak incentives requirements. When asked what she thought about the Texas Organizing Project's proposal of setting a \$15 wage floor for companies getting tax relief, Gwen Tillotson, deputy director of the city's Economic Development Division, indicated things could change.

"The Office of Economic Development is taking a close look at the economic development programs and the criteria used to render incentive decisions, where warranted," she said. "We fully understand the need to ensure equity in the programs to provide access to good paying jobs for all communities."