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The quest for Amazon HQ2

By **Chad Livengood** and **Dustin Walsh**



Chad Livengood/Crain's Detroit Business

Windsor, just across the river from Detroit, could work together with the city on a bid for Amazon's HQ2 project.

- Windsor has joined Detroit in crafting a bid for Amazon's second headquarters
 - A key benefit touted is a talent pool that is more educated than Michigan's
 - Putting some operations in Canada could have financial benefits for Amazon.
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Windsor's foray into Detroit's bid for Amazon's second North American headquarters injects new variables into the Motor City's case for winning the online retail giant's multistate sweepstakes and promise of 50,000 new high-paying jobs.

Government officials and independent observers on both sides of the Detroit River said a joint binational bid utilizing the economic, talent and infrastructure strengths of both Michigan and Ontario could be attractive to Amazon, a Seattle-based company with a large market presence in Canada.

While Detroit Mayor Mike Duggan said Windsor's involvement in the Amazon bid is to **gain access to a larger potential workforce**, a local tax expert insists Amazon could net benefits from a physical location across the river.

"The U.S. has one of the highest corporate tax rates in the world," said Michael Patterson, principal and director of international tax at Rehmann in Ann Arbor. "If they put some of that workforce in Windsor, particularly the jobs that drive revenue, they can drive down their global tax rate."

The U.S. has the fourth-highest statutory corporate income tax rate in the world, levying a 38.91 percent tax on corporate earnings, behind the United Arab Emirates, Comoros and U.S. territory Puerto Rico. Canada, on the other hand, has a corporate tax rate of 15 percent minus the Canadian federal tax abatement and general tax reduction.

Ontario, the province in which Windsor is located, also levies a 4.5 percent to 11.5 percent corporate income tax rate, compared to Michigan's 6 percent tax on corporate revenue. But all in all, Canada is more tax advantageous, Patterson said.

It would be in the Detroit bid's interest to highlight potential tax benefits of locating revenue-drivers in Windsor, particularly engineers generating intellectual property, such as patents, trademarks or processes, Patterson said.

"Obviously we don't know what Amazon wants and what it plans to do with its second headquarters, but if it's capable of moving employees across the border, it could carve off a big

Some possible Detroit sites for Amazon's HQ2

Aside from the well-documented hurdles with mass transit and balancing economic development with providing the requisite incentive package to the Seattle-based online retail leviathan, one key issue is where in the Motor City Amazon could wind up for its initial build-out. **Read story.**

chunk of its tax rate and get similar talent in and around Detroit, it's a big return on investment," Patterson said.

Detroit real estate developer and mortgage mogul Dan Gilbert has assembled a committee to make a bid for Amazon's second headquarters and was **meeting with Windsor government and business leaders** to discuss a possible joint bid.

Gilbert said Wednesday that Detroit's shared international border is an advantage that "nobody can compete with" in the race among big American cities to woo Amazon's planned \$5 billion investment.

"We are going to win this thing or die trying," Gilbert **said Wednesday** after announcing **\$2.1 billion in downtown building development projects** his companies are pursuing.

The new, expanded and renovated office buildings Gilbert's Bedrock LLC is developing could play a role in fulfilling Amazon's need for 8 million square feet of new office space over the next 17 years.

As Gilbert and his investment and real estate companies work on the Amazon bid package due Oct. 19, local officials have been evaluating potential solutions to **Detroit's shortcomings** in **transit** and the educated pool of tech workers Amazon desires in software development and engineering.

The most stark is the talent shortage that Michigan companies have already been grappling with in recent years.

About 63 percent of adults age 25 to 64 in Ontario have some level of higher education, according to Canada's national statistics agency.

In metro Detroit, 38.4 percent of adults over age 25 have an associate's degree or higher, according to data compiled by the Detroit Regional Chamber.

"I think having the ability to have both Canadian and Detroit employees, which would happen here, relatively easy to get across the border from Windsor to go to work, I think has got some potential here," **Duggan said last week**.

Moving across the border for daily commuters is supposed to get easier when — and if — two new six-lane bridges are built over the Detroit River.

But construction of the new Gordie Howe International Bridge and a replacement span for the Ambassador Bridge isn't **expected to begin until next year sometime**, depending on the outcome of a litany of legal battles and permitting hurdles for the competing public and privately-owned bridge projects.

Another potential advantage to Amazon constructing a physical office on the Canadian side of the Detroit River is access to foreign talent. As U.S. continues to seek new restrictions and caps on immigrants to the U.S., Amazon could seek and use a new pool of foreign talent via Canada's immigration pool.

However, Canada's immigration system is also becoming tighter, said Aimee Guthat, senior attorney at immigration law firm Fragomen, Del Rey, Bernsen & Loewy PLLC in Troy.

"Like the U.S., Canada has a very robust set of immigration rules governing availability and eligibility for work visas," Guthat said. "The Canadian immigration program at one time was perceived to be more liberal than U.S. immigration rules, but this is definitely changing. Canada has taken significant steps in recent years to enhance its immigration regulations and procedures and tighten security and admission procedures."

Amazon's request for proposals said it wants a second headquarters in a metropolitan region of at least 1 million people.

With more than 4.3 million residents, metro Detroit easily meets that mark. But Windsor by itself falls well short with a metropolitan population of 329,000, according to Canada's national statistics agency.

"I'm sure our respective strengths would make the bid stronger than either one city going it alone," said Douglas George, the Canadian consul general in Detroit.

With Toronto and Ottawa also pursuing Amazon, George said he couldn't pick sides among Canadian cities.

"But whether it's Windsor or some other Canadian city, we can bring a lot of what Amazon will need to make its new headquarters a success," George said.

Basing part of the headquarters in Windsor could attract tech workers from Toronto and more populous cities in southern Ontario, said Kristen Thomasen, assistant professor of law in robotics and society at the University of Windsor.

"The thing you're going to get with Detroit-Windsor that you're not going to get with Toronto is a lot of relatively inexpensive real estate," said Thomasen, who is studying Amazon's development of artificial intelligence technology and package-delivering drones.

Thomasen, a native of Hamilton, Ontario, said the tremendous growth in Toronto in recent years has gentrified one-time bedroom communities like her hometown and pushed workers further away from Canada's largest city.

"Toronto's a fantastic city," Thomasen said. "But there are elements of living and working there that's becoming increasingly difficult."

Windsor partnering with Detroit also presents Amazon with a potential logistics advantage, said Alex Calderone, managing director of Birmingham-based corporate advisory firm Calderone Advisory Group.

"Amazon seeks to disrupt just about every step of the supply chain," Calderone said. "The Detroit, Windsor region offers both a workforce and physical infrastructure that is capable of moving products efficiently and effectively across North America."

On the online retail end of its business, Amazon already is building three regional distribution centers in Livonia, Romulus and Shelby Township.

"If logistics services are in its cross hairs, what better place to be headquartered than along one of both countries' busiest international borders; particularly given the new bridge capacity that may come on line in the near future?" Calderone said.

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