

# There Is No Way in Hell Amazon HQ Is Coming to L.A.

BY HILLEL ARON

Big city mayors have been drooling ever since the announcement last week by Amazon that the online behemoth/destroyer-of-all-that-is-retail will build a second headquarters ... somewhere. Maybe Chicago! Maybe Atlanta! Maybe Toronto! Maybe they're just trying to squeeze some concessions out of Seattle!

Los Angeles, too, has thrown its hat in the ring. And why not? Amazon's new HQ will bring 50,000 jobs to one lucky city, not to mention a \$5 billion construction project and more bragging rights than three Olympics.

"L.A. is the perfect place for a company like Amazon to find talented workers," said a hopeful Mayor Eric Garcetti in a written statement, "and an environment that nurtures growth and innovation. I welcome the opportunity to compete for this remarkable investment, and the tens of thou-



Yeah, right ...

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sands of good-paying jobs it is sure to bring with it."

The city is expected to be a strong competitor in the hahahaha-haha ... just kidding. L.A. doesn't stand a chance.

Let's look at what Amazon says it's looking for: a metropolitan area with more than a million people, a city able to "attract and retain strong technical talent," a decent mass transit system, proximity to a major international airport and a

"stable and business-friendly environment."

L.A. does have a lot going for it. It's certainly big enough. It's got a ton of high-quality universities, including one of the country's top technical universities, Caltech. And its mass transit system, while still a work in progress, goes some places. And Amazon CEO Jeff Bezos already owns a house in Beverly Hills.

The city's real issue is its business-friendliness, or lack thereof.

"Do I think that a major corporation like Amazon.com would come to a city where the gross receipts tax is the highest around," says Stuart Waldman, president of the Valley Industry Commerce Association, "where you're required to give your employees more sick days than the state, where the minimum wage is higher than anywhere else?"

Long pause.

"Yeah, sure," he says, with apparent sarcasm.

The "gross receipts tax" is a tax on every penny of revenue generated by businesses in the city. According to the L.A. Times, "Los Angeles' top tax rate — 0.5 percent — is almost 10 times higher than the average in other California cities that still impose a gross receipts tax."

City leaders have long promised to roll back the onerous tax. Unfortunately, it accounts for about 10 percent of a budget that is considered to have a structural deficit.

But Lloyd Greif, investment banker and former chairman of the L.A. Economic Development Corporation, thinks the gross receipts tax is only a minor stumbling block, since the mayor and the City Council have the power to

grant individual exemptions from that.

"There's no question they would cut a deal on the business tax side," Greif says. "But I see state income tax as an issue. California is not competitive from that standpoint."

California has one of the highest state income taxes in the nation — a tax that applies to capital gains as well as payroll. Amazon's current home, Washington state, has no income tax.

"We have a tax environment here that is just oppressive," says Jack Humphreville, a member of Neighborhood Council Budget Advocates. "If you're Bezos, who's shown he's tax-averse, the odds of us getting it are slim."

Of course, the city's minimum wage, currently \$12 an hour and set to rise to \$15 an hour by 2021 and then to rise with cost-of-living increases, is unlikely to affect many of Amazon's full-time employees. But it raises the already high cost of doing business in the city, as well as the cost of living. It increases the price of everything from cleaning to eating to daycare.

Perhaps the biggest downside for a company thinking about moving to California is the price of housing, which recently hit an all-time high. It's hard to attract talent

when the talent can't find a decent place to live for less than \$700,000.

"This might crystallize for the city, county and the state what an impediment the housing situation is here," says Greif.

There's a reason why myriad corporations (Arco, Occidental Petroleum and Northrop Grumman, to name a few) have moved their headquarters from Los Angeles in recent decades. It's not because they don't like the weather. It's the city's business environment, which numerous politicians, including Garcetti, have promised to improve.

"No one who says they want to make the city more business-friendly really means it," Waldman says. "No one actually works hard to bring in a company that's going to bring employees."