

## NEWS

# \$175M tax break for Marathon refinery buys Detroiters only 15 jobs

**Joe Guillen** DetroitFreePress

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Marathon Petroleum, which received a \$175-million tax break from the City of Detroit in a mammoth expansion project, is coming under fire from City Council for failing to hire enough Detroiters.



When Marathon asked the city for the tax break as part of the company's plan to expand its operations in southwest Detroit in 2007, with the appeal came a pledge to recruit Detroiters for new jobs at the refinery.

The City Council granted the company the personal property tax abatement, forgoing millions in tax revenue. Even with the tax break, a city analysis estimated the expansion would generate \$181 million in income taxes, real property taxes and other fees for the city over two decades.

"As we discuss job creation, please understand that we will do what we can to hire qualified Detroit residents," then-Marathon Senior Vice President Garry Peiffer wrote to

City Council in 2007. “It is our intention to work closely with the Detroit Workforce Development Department and a local institution of higher education to develop curriculum and offer training for interested Detroit residents.”

But the vision to hire more Detroiters never materialized. Now city officials will more closely monitor Marathon’s hiring practices to ensure the company is making an effort to hire Detroit residents.

“In a city with double-digit unemployment, any company that’s receiving a tax abatement of nearly \$180 million should be giving more back, including hiring residents,” Councilwoman Saunteel Jenkins said in an interview.

Marathon employs 514 full-time workers at its refinery, thanks to the \$2.2-billion expansion. That’s up from about 320 employees in 2007, when the city approved the personal property tax abatement, the largest of its kind in Detroit history.

Of the 514 employees, 30 are listed as Detroit residents as of January. In 2007, before the expansion, the company employed 15 Detroit residents. That means fewer than 6% of Marathon’s workers at the refinery live in the city, according to the company’s employment records, which must be submitted to the city annually under terms of its abatement agreement.

Several City Council members briefed on the company’s hiring practices said the figures are unacceptable. Marathon’s poor track record of hiring residents, they said, coupled with the high number of Detroiters looking for work, highlights the need to secure hiring guarantees when companies ask for tax breaks or other incentives. .

Representatives of Marathon said the company has had difficulty finding qualified Detroiters, even though it funds a scholarship program at Henry Ford Community College designed to promote local hiring. Some of the available scholarships have gone unfilled, the company said.

“We would like nothing better than to have a higher percentage of Detroit residents in our workforce,” refinery general manager Tracy Case told council members during a discussion on the company’s hiring practices at a Feb. 13 planning and economic development committee meeting.

“We are aligned in that desire, but there are certain difficulties and challenges and obligations we have to our company to find the best people to work for us,” Case said, adding that Detroit residency would be a tie-breaker in a hiring choice between two similarly qualified candidates.

Marathon bears a greater responsibility to hire Detroiters because the refinery's expansion has raised environmental concerns, Jenkins said. The expansion has allowed the company to process an extra 14,000 barrels of oil per day.

Portia Roberson, Mayor Mike Duggan's group executive for ethics and civil rights, has been charged with further reviewing Marathon's hiring of Detroit residents. She will report back to the council in six months.

"I want to give everybody the benefit of the doubt, but also I want Detroit residents to see where their tax dollars are going when you're talking about tax abatements," council President Brenda Jones said. "I want them to have the same fair chance that anybody else has, and I want you to live up to the agreement that you came to this table and said you would live up to. And the agreement was that you would hire Detroit residents."

The city's cost-benefit analysis, done before the abatement was granted, estimated the refinery expansion would generate a net benefit of more than \$181 million over 20 years — despite the \$175-million tax break. The analysis assumed an increase of 60 full-time jobs at the refinery.

The city has agreed to 23 personal property tax abatements for various companies since 1998. The state treasurer has final approval of the exemptions, which are granted for a specific period, not for a specific dollar amount. However, the City of Detroit generally projects how much revenue the city and the county would be forgoing for each abatement.

In 2008, General Motors received a personal property tax abatement worth about \$38 million from the city for its expansion at the Detroit-Hamtramck plant. The company estimated it would add about 550 jobs, and first preference would be to hire laid-off union workers.

Gov. Rick Snyder signed a package of bills in late 2012 to phase out the state's personal property tax over 10 years. The new taxing policy, which supporters say will boost the state's economy, is subject to a voter referendum in August.

Marathon executives said the Detroit tax break was crucial to the company's decision to expand here rather than in neighboring states without such tax burdens on new industrial equipment. The Marathon abatement carries a cost to the city of about \$146 million in forgone tax revenue over 23 years and about \$29 million to Wayne County.

Marathon workers perform a variety of jobs at the refinery, including engineers, refinery operators, maintenance workers and safety representatives. Job openings at the refinery

typically pay an annual salary between \$60,000 and \$80,000, company representatives told the City Council.

Marathon's corporate website, to which a company spokesman directed the Free Press on Monday, showed the company has seven job openings in Detroit, including a welder, pump mechanic and an engineer.

Although Marathon has exceeded the projection and added about 200 full-time jobs, the company's scholarship program at Henry Ford has not created many employment opportunities at Marathon for Detroiters. Company representatives attend career fairs at Henry Ford to promote the training program.

Marathon has contributed about \$154,000 toward 37 scholarships since 2008. Of those scholarships, five students have interned at the refinery. One graduate of the Henry Ford program applied for a job but did not meet pre-employment testing requirements, according to the company's written responses to the City Council's legislative policy division, which produced a report on Marathon's hiring practices in February.

The scholarship at Henry Ford fulfills the company's responsibility under the abatement contract to develop a training program. The contract, however, does not require the company to hire a certain number of Detroit residents. Marathon stated that hiring Detroiters would be a priority when it sought the tax break.

Marathon's results have been an eye-opener for new council members, who appear poised to demand more from corporations seeking tax breaks in the future.

In early February, veteran council members Jones and James Tate sought but failed to get a guarantee to hire Detroiters in post-construction jobs at the new Red Wings arena. Without the guarantee, they each cast a "no" vote on legislation related to the arena project, but the measure passed.

"I know that Madam President (Jones) beat the arena about the head and shoulders about" a post-construction job guarantee, said first-term Councilman Scott Benson, who voted in favor of the hockey arena legislation. "Now I see why it's so important that we put language into these contracts about post-construction jobs."

Councilwoman Raquel Castaneda-Lopez, whose district includes the refinery, said her office will work with Marathon to inform the community about scholarship opportunities.

"Moving forward, we need to negotiate stronger employment requirements when granting tax abatements or other incentives," she said in an e-mail. "A company's track record of

hiring Detroiters and working with the surrounding community should be factored into this process.”