

# PRIME PUBLIC DOLLARS

*Is Subsidizing Amazon's Hamburg Proposal a Good Deal?*

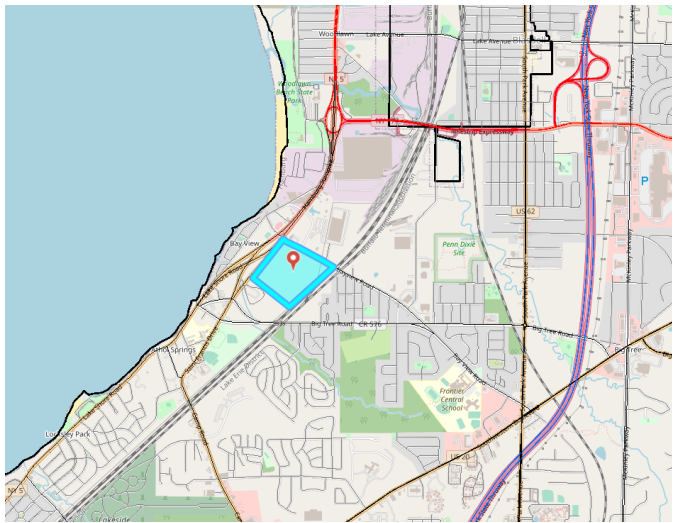
## What is Amazon's Proposal?

In its application to the Hamburg Industrial Development Agency (IDA), Bayview Road Associates, LLC, an agent of Amazon.com, proposes to develop a 181,500 square-foot, "last-mile" warehouse on roughly 58 acres at the corner of Lake Shore Road and Bayview Road in Hamburg, NY.

A last-mile facility functions as a small delivery hub. Unlike Amazon's large warehouses, which tend to be located out of the way and on "the fringes of suburbs," last-mile hubs are closer to – even embedded in – communities and neighborhoods. Because of their proximity to households, last-mile hubs improve Amazon's ability to deliver products quickly, which is seen in the company's aggressive expansion of same-day and one-day shipping options for "Prime" customers.

Yet, while last-mile hubs mean that some regional Amazon customers might get their orders delivered slightly faster, the already wealthy corporation's quarterly sales just topped \$100 billion for the first time; it is under seemingly constant fire for its treatment of workers; and, by flooding the market with fast-shipping services, it is putting excessive pressure on the environment and small businesses.

For these reasons and more, it is essential to ask whether subsidizing last-mile hubs – or any Amazon development project – is a wise use of a local community's **prime public dollars**. The remainder of this factsheet offers some initial answers to that question by examining the jobs that Amazon proposes to create (as described in its HIDA application), relative to the costs of the proposed tax incentives. Importantly, questions about jobs, job quality, wages, and subsidy costs are only a fraction of what communities should be asking before development incentives are approved. It is just as critical to engage with the environmental impacts of the proposal, as well as the spillover effects on local firms, small businesses, and, especially, the effects on



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households and communities. Although these topics go beyond the scope of the current factsheet, they deserve to be brought up and deliberated in HIDA's upcoming public forum.

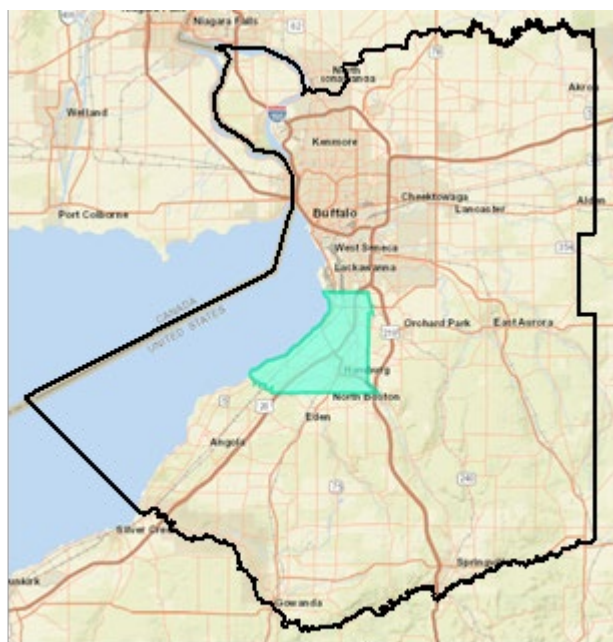
## How Many Jobs Will It Create?

According to Amazon's HIDA application, upon completion the proposed last-mile hub project will house 100 new jobs, to be distributed across three categories:

- **5 full-time management positions** (with benefits) at an average salary of **\$60,000 per year**;
- **45 full-time production jobs** (with limited benefits) at an average hourly wage of **\$15 per hour**;
- **50 part-time production jobs** (seemingly without benefits) at an average hourly wage of **\$15 per hour**.

By these measures, the project is expected to create **just 50 full-time jobs, with a median annual salary of \$31,200** (\$15/hour x 40 hours/week x 52 weeks/year).

For context, according to the 2019 release of the U.S. Census Bureau American Community Survey (ACS), the median annual earnings for a civilian employee (16 years or older) in the Hamburg Erie County subdivision is \$44,794. In the Transportation and Warehousing industry, median civilian employee earnings are \$49,571 per year per employee. For Erie County as a whole, the corresponding figures are \$39,680 per year for all workers, and \$40,091 per year for Transportation and Warehousing workers.<sup>1</sup>



Boundaries of the Hamburg County Subdivision in Erie County

Thus, **only 10% (5 out of 50) of the full-time jobs promised by the project will pay workers at or above median wages** for the Transportation and Warehousing industry in Hamburg. The remaining 90% of jobs will pay workers just over 60% of local median industry wages.

Adding to that observation, researchers at the Cornell University School of Industrial Labor Relations Buffalo Co-Lab scraped all active job postings for Hamburg, NY from Indeed.com on February 2, 2021. After removing exact duplicate entries through an automated process, the data scrape yielded 274 job postings for locations in Hamburg. The median advertised wage of



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those job postings was \$16.50 per hour, with an average wage of \$22.03 per hour. Two-thirds of the jobs (180 of 274) had advertised wages above \$15 per hour.<sup>2</sup> In other words, most of the (presumably unsubsidized) jobs available in Hamburg are paying more than the \$15/hour wage that Amazon intends to pay workers in its proposed delivery hub.

## What Will the Project Cost Hamburg Taxpayers?

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According to both the HIDA application and minutes from the public hearing held for the project in late January 2021, the total **tax incentives being offered to Amazon amount to nearly \$4.3 million** over ten years. However, the actual value of the giveaway could be even higher. In its announcement for an upcoming public hearing on the project, HIDA notes that the total public subsidy could reach as high as \$6.85 million.

At present, the lower bound of the incentive package (\$4.3 million) breaks down as follows:

- \$2.256 million in property tax discounts, spread over ten years;
- \$253,200 in waived mortgage recording fees; and
- Nearly \$1.8 million in sales tax exemptions related to developing the site.

The sum of these figures works out to a **subsidy of about \$85,500 per full time job created**. For comparison, many jurisdictions place subsidy caps on development projects in the range of \$5,000 to \$35,000 per qualifying job. Legislation introduced to the New York State Assembly last session called for all development projects in New York to be subject to a strict \$6,000 incentive cap per qualifying job. While that bill has yet to come to the floor for a vote, using that \$6,000 per job aspiration as a benchmark suggests that the value of the proposed Amazon subsidy is about 14.25 times higher than what the legislation deems to be appropriate.

If giving up sales tax, mortgage recording fees, and County and Town tax revenues were not problematic enough, consider that more than half of the \$2.256 million in property tax discounts are associated with revenues that would otherwise be collected by the Frontier School District. Specifically, under the proposed agreement, Amazon would pay just under \$350,000 in school taxes over ten years. Without the discount, the value of those taxes (not including increases that could occur by increases in tax rates and/or assessed property value) would be \$1.66 million. Hence, **the proposed incentive package shortchanges Frontier School District by more than \$1.3 million in revenue**.

One response to the preceding statement is that nearly \$350,000 in tax revenues over ten years is better than the \$0 that might occur if the project site were not developed. However, according to Amazon's HIDA application, the firm purchased the land from the Hamburg Land Development Corporation on December 2, 2020. That means the land is no longer held in public ownership and is (or should be) back on the property tax rolls this year. Even though the



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assessed value of the vacant land is currently low, and any resulting tax revenue would be small (and not a source of revenue for the schools), the point is that the property is in private hands. If Amazon elects not to develop the site, then the land becomes a stranded asset. Given the firm's wealth, negligible annual property taxes will not even register on its bottom line. Still, it remains unlikely that a profit-hungry company would sit on taxable land rather than move forward with the delivery hub or sell the property to an entity seeking to develop it.

## Are the Jobs “Good” Jobs? For Hamburg Residents?

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As noted above, only half of the proposed jobs are full-time jobs with benefits. And nine of every ten full-time jobs pay just \$15 per hour – well below the median earnings for a Hamburg resident working in Transportation and Warehousing, and less than the advertised hourly wage of roughly two-thirds of the 270+ jobs currently listed for Hamburg on Indeed.com. Simply put, the jobs expected to be created by the last-mile warehouse are predominantly low-wage and precarious (half are part-time). The “low-wage” qualifier is all the more appropriate given the national push for a \$15/hour federal *minimum wage*, and the fact that New York State is already phasing in a \$15/hour state minimum wage. As of 2021, all areas downstate are already under a \$15/hour state minimum wage. The rest of New York is at a \$12.50/hour minimum and progressively scaling up to \$15/hour.

Projects that promise only low-wage jobs are not worthy of public subsidies. They are not good deals for local residents. Consider that, according to the real estate firm Zillow, the current (December 2020), seasonally adjusted median home value in the 14075 ZIP code is \$224,408. Based on current mortgage rates, buying a house in the 14075 ZIP code at that median price, with 5% down, would cost a buyer \$11,220 up-front as a down payment (plus closing costs), and between \$1,002 and \$1,045 per month thereafter. These estimated monthly costs are nearly identical to the \$1,007 per month median housing costs reported in the U.S. Census Bureau's 2019 ACS data for the Hamburg County Subdivision.<sup>3</sup>

On that note, even if a low-wage worker earning \$15/hour was somehow able to save the \$11,000-plus dollars needed for closing and a down-payment, a \$1,000-plus monthly housing payment would account for around 39% of that worker's gross monthly income. According to both policymakers and affordable housing advocates, a household is considered to be housing-cost burdened when it spends more than 30% of its gross monthly income on housing. Hence, unless they hold second jobs, are part of dual- or multi-earner households, or have other sources of income, it is unlikely that any of proposed full-time Amazon workers earning \$15/hour would be able to purchase a home in Hamburg.

As for renting, per the Department of Housing and Urban Development's (HUD's) Fair Market Rent (FMR) Documentation system, a fair price for a one-bedroom rental unit in Hamburg's

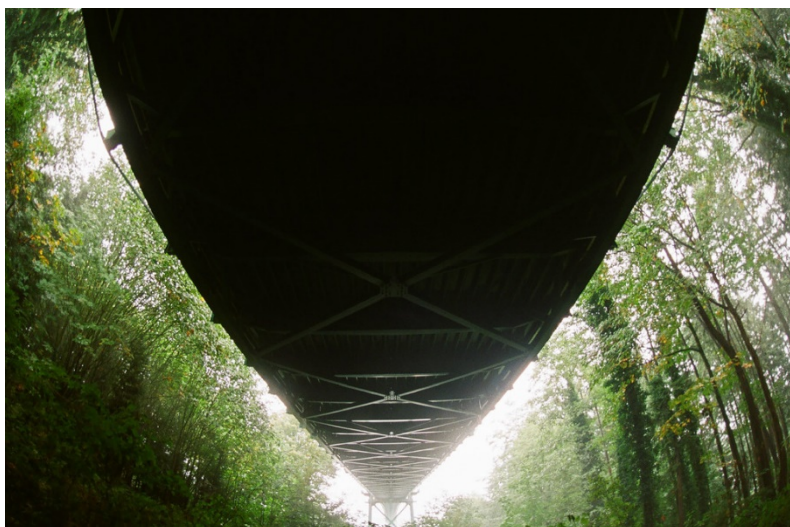


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14075 ZIP code is currently \$830 per month. The gross monthly income of a worker earning \$15/hour is \$2,600. It follows that an \$830/month one-bedroom apartment would account for 32% of that worker's gross monthly income. By this metric, **even a one-bedroom rental apartment in Hamburg would be largely out of reach for a \$15/hour worker at the proposed Amazon warehouse.** While the rent-to-income ratio is close to the 30% threshold used to define cost-burden, it is both inequitable and unsustainable to provide millions of dollars in public subsidies to a wealthy corporation while its workers struggle to meet their basic needs.

## What is “High Road” Economic Development?



Conventional economic strategies are geared exclusively toward growth, or quantitative increases in some variable (population, jobs, aggregate income, etc.). These growth-oriented strategies are generally termed “Low Road” economics, in that they put profit ahead of people and planet. By contrast, “High Road” economic strategies are about development – making qualitative increases in social, environmental, and economic conditions that enhance people's

well-being and build local economic and ecological resilience. Within the framework of High Road economics and High Road policy, public dollars are used for the public good. They are invested in projects that contribute to creating an economy characterized by shared prosperity for all, as opposed to prosperity for rich corporations while workers struggle to pay for their basic needs (let alone participate in activities that enable them to live flourishing lives). High Road economic development is concerned with ensuring that all people and households have access to family-sustaining sources of income, and that all people enjoy equal opportunities to participate in and benefit from the projects that affect their lives and/or communities. Common “High Road” economic development demands along these lines include, as articulated in the Erie Canal Harbor Development Corporation's 2013 Public Statement of Principles for High Road Development:

- Quality jobs that provide family-sustaining wages and benefits;
- Local worker opportunities;



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- Local business opportunities;
- Innovation in environmental sustainability and conservation;
- Community-building civic infrastructure;
- Affordable housing; and
- Collaborative decision-making, implementation, and monitoring processes.

Based on the foregoing, cursory analyses of wages and subsidies related to the proposed Amazon last-mile warehouse in Hamburg, it is reasonable to conclude that **the project does not live up to the standards and demands of High Road economic development.**

## Is the Project a Good Deal?

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To recap, the analyses in this factsheet led to the following key takeaways about the proposed Amazon warehouse in Hamburg and the incentive package being considered by HIDA:

- Only 5% of all proposed jobs (10% of full-time jobs) will pay above median wages for Transportation and Warehousing work in Hamburg;
- The total effective cost of the incentives per full-time job is more than \$85,500 – roughly 14.25 times the subsidy cap recommended by a legislative proposal introduced last year to the New York State Assembly;
- Nearly all (90%) of the full-time jobs are low-wage jobs that pay less than the majority of jobs currently available and being advertised in Hamburg;
- If the project were to proceed, nearly all (90%) of the full-time workers would experience housing cost-burden if they wished to live in Hamburg – at a \$15 hourly wage, even a “fair price” for a one-bedroom rental unit in Hamburg would be unaffordable for an Amazon production worker based on established thresholds of housing cost-burden;
- Compared to the full freight price of taxes on the project, the subsidy package will enable Amazon to shortchange the Frontier School District by more than \$1.3 million over the life of the incentive deal;
- As such, the proposed subsidized development violates the norms and expectations of High Road economic development.

Based on these findings, **the project is not a good deal for Hamburg or Erie County.**

## What are the Next Steps?

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The HIDA is convening a second public hearing on the project for Wednesday, February 10, 2021 at 6pm in person or via Zoom. [Details for that meeting can be found by clicking here.](#)



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## Notes

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<sup>1</sup> U.S. Census Bureau American Community Survey Five-Year Estimates for 2015-2019. Table B24031. "Industry By Median Earnings In The Past 12 Months (In 2019 Inflation-Adjusted Dollars) For The Civilian Employed Population 16 Years And Over."

<sup>2</sup> Scraping was carried out in the R statistical computing environment. The code used to perform the operation can be accessed at: <https://cpb-us-e1.wpmucdn.com/blogs.cornell.edu/dist/d/9245/files/2021/02/hamburg-ny-indeed-job-scraping-R.txt>

<sup>3</sup> U.S. Census Bureau American Community Survey Five-Year Estimates for 2015-2019. Table B25105. "Median Monthly Housing Costs (Dollars)."

This memo was prepared by Rusty Weaver, Ph.D., economic geographer and Director of Research for the Cornell ILR Buffalo Co-Lab.

