ILR Buffalo Co-Lab

TESTIMONY

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Hamburg Industrial Development Agency Board of Director

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Dear Mr. Doyle, Chairperson Palmer, and Members of the Board of the Hamburg Industrial Development Agency:

Thank you for convening this public hearing. I am grateful for the opportunity to contribute to the discussion on the question before the Hamburg Industrial Development Agency (HIDA), of whether to offer a generous tax incentive package to Amazon to construct and open a new last-mile warehouse in Hamburg.

My name is Russell Weaver and I am the Director of Research for Cornell University's Buffalo Co-Lab. My research focuses on High Road Economic Development, or development that is both guided by and dedicated to advancing values of shared prosperity, ecological sustainability, and participatory democracy. The work of building a High Road, democratic, inclusive economy requires constant critical reflection on how public dollars and other public resources are being used. One of the core tenets of this mission-driven form of development is that public resources be used always in service to the public good – that public dollars create broad-based public value.

Importantly, any single use of public dollars has limited potential to benefit all members of a community in even and material ways. Thus, not all public expenditures will lead to immediate and visible increases in broad-based community wealth; which raises a fair question: if individual projects cannot benefit everyone in a community – for example, not everyone who will want a job at an Amazon warehouse in Hamburg will be able to find one – then how can an agency like the HIDA enforce the criterion that public economic development dollars be used in service to the public good? Should the HIDA abandon the practice of subsidizing economic development projects altogether?

While I won't comment on the latter question, I'd like to think there is a straightforward answer to the former. Namely: ***if what the community wants is a more equitable, inclusive, High Road economy, then public agencies should subsidize only projects that advance those values; at the same time, allow "Low Road" projects to face the pressures of the "free market" competition that they consistently champion***.

Looking to the statement of High Road Principles adopted by the Erie Canal Harbor Development Corporation in 2013 in relation to waterfront development, some indicators that can be used to identify projects that meet these standards include whether the projects offer:

- Quality jobs that provide family-sustaining wages and benefits;
- Local worker opportunities;
- Local business opportunities;
- Innovation in environmental sustainability and conservation;
- Opportunities for community-building; and
- Opportunities for community participation in development.

It is my opinion that **the proposal under consideration does not satisfy these criteria**. For the sake of time, I'll support this claim by focusing solely on the quality of the jobs that the project aims to create.

According to Amazon's application to HIDA, the last-mile warehouse will 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, per 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.[1] 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 a mere $15/hour, or the minimum wage that upstate New York is already in the process of progressing toward. Can those wages sustain a household in Hamburg? According to Zillow, the current (December 2020) seasonally adjusted median home value in the 14075 ZIP code is $224,408.[2] Based on current mortgage rates,[3] 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 over $1,000 per month thereafter. These estimated monthly costs are consistent with the $1,007 per month median housing costs reported by the U.S. Census Bureau for the Hamburg County Subdivision.[4] Even if a low-wage worker earning $15/hour was somehow able to save the large sum needed for closing and a down-payment, a $1,000-plus monthly housing expense would account for around 39% of that worker's gross monthly income. A household is considered to be *housing-cost burdened* when it spends more than 30% of its gross monthly income on housing.[5] 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, the Department of Housing and Urban Development (HUD) reports that a fair price for a one-bedroom rental unit in Hamburg's 14075 ZIP code is $830 per month.[6] 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 inequitable and unsustainable to provide millions of dollars in public subsidies to a wealthy corporation while its workers struggle to meet their basic needs.

Based on these figures alone***, the proposal under consideration is a bad deal for Hamburg and Erie County residents***. I therefore strongly urge the Board to decline Amazon's request for financial assistance. For additional details to support this recommendation, I have attached a brief factsheet to be appended to my testimony. Thank you for your time.

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[1] 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."

[2] https://www.zillow.com/research/data/

[3] https://www.nerdwallet.com/mortgages/mortgage-rates/new-york

[4] U.S. Census Bureau American Community Survey Five-Year Estimates for 2015-2019. Table B25105. "Median Monthly Housing Costs (Dollars)."

[5] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3778025

[6] https://www.huduser.gov/portal/datasets/fmr/fmrs/FY2021_code/2021zip_code_calc.odn?zcta=14075&metro_code=METRO15380M15380&year=2021&hypo=hypo