MARCH 2022





NEW YORK'S WORST "Economic Development" DEALS

AMERICAN ECONOMIC LIBERTIES PROJECT









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THE DIRTIEST DOZEN:

New York's Worst Economic Development Deals

New York State is one of the most prolific users of so-called "economic development" incentives in the country, spending some \$10 billion annually at the state and local level on subsidies to select businesses. For all that, New York has very little to show other than empty factories, underwhelming job-creation numbers, and a slew of corruption scandals.

Instead of addressing these obvious problems, Gov. Hochul has proposed to double spending at the Empire State Development Corporation — literally doubling down on failure.

It's time to try something new. But to truly reform the economic development system so that it focuses on people, communities, and local businesses, policymakers have to understand what went wrong.

This paper covers 12 of the worst New York economic development deals: a dirty dozen of failure. This is just the tip of the iceberg, but it provides a sense of the many ways in which New York's dependence on corporate subsidies has done the state's residents wrong, and why a complete overhaul of the system is such an urgent priority.

NEW YORK'S MOST EXPENSIVE SUBSIDY: \$4 MILLION PER JOB

Plug Power: The most expensive economic development deal in New York history on a per-job basis, the clean energy corporation Plug Power received nearly \$270 million to create just 68 jobs at a plant at the Science and Technology Advanced Manufacturing Park site in Genesee County – and that amount doesn't factor in the costs of local infrastructure to service the plant. The total cost to taxpayers is <u>\$4 million per job</u>.



SUBSIDIES RECEIVED: \$270 MILLION



TO CREATE JUST: 68 JOBS

InvestigativePost

The mother of all subsidy deals

Tax breaks and discounted power proposed to lure a clean energy company to a vacant industrial park in Genesee County amount to a record \$4 million per job

By Mark Scheer



InvestigativePost

Another Buffalo Billion boondoggle

Agency developing a high-tech industrial park in Genesee County has little to show for nearly \$27 million in spending. No tenants, no infrastructure - but the boss is making a good buck.

By Mark Scheer

2 EMPTY FACILITIES & EMPTY PROMISES IN CENTRAL & WESTERN NEW YORK

Semiconductor Shell Game:

The STAMP site – which cost taxpavers \$26 million to build – is part of a much larger failed push to attract a semiconductor manufacturer to New York that also includes the \$3.2 million White Pine Commerce Park in Onondanga County, which has had no tenant for 20 years. State officials have proposed massive subsidy packages for semiconductor corporations to come to one of those two largely empty sites, including \$1.9 billion for a Samsung plant that ultimately went to Austin, Texas. Gov. Hochul is reportedly currently negotiating with a semiconductor manufacturer to move to STAMP, though she refuses to identify which one. The state also paid the largest cash grant ever awarded in the U.S. to the semiconductor firm GlobalFoundries, as part of a massive \$1.4 billion incentive package.



COST TAXPAYERS: \$26 MILLION

OUTCOMES: 0 JOBS, 0 TENANTS

syracuse.com

Business

Onondaga County agency spending \$900K to expand empty business park

Updated: May. 22, 2019, 8:13 a.m. | Published: May. 22, 2019, 8:00 a.m.



Clay, N.Y. -- The Onondaga County Industrial Development Agency has agreed to spend \$900,000 to buy 106 acres of land for the publicly owned White Pine business park.

With the \$900,000 purchase, the agency will have spent a total of \$3.2 million acquiring land for the business park, dating back to the 1990s.

The park has attracted no companies who want to move there.

BILLIONS FOR A BILLIONAIRE DON'T PAY OFF FOR NEW YORKERS

Tesla and Solarcity:

Former Gov. Andrew Cuomo's Buffalo Billion revitalization plan centered around a state-funded <u>\$950 million</u> solar panel plant for SolarCity, a subsidiary of Tesla, in South Buffalo. The plant currently employs far fewer workers than the 3,000-plus predicted by the governor. A state audit found the state's investment has produced only 54 cents on the dollar for the public. New York State has also <u>begun to sell off</u> more than \$200 million in manufacturing equipment that it bought for the Tesla and Panasonic solar manufacturing facilities.



COST TAXPAYERS: \$950 MILLION



New York State has begun to sell off more than \$200 million in equipment bought for the manufacturing facilities.



POLITICS

New York cutting its losses on high-tech equipment purchased with Buffalo Billion

BY RYAN WHALEN | BUFFALO UPDATED 6:55 PM ET OCT. 18, 2021

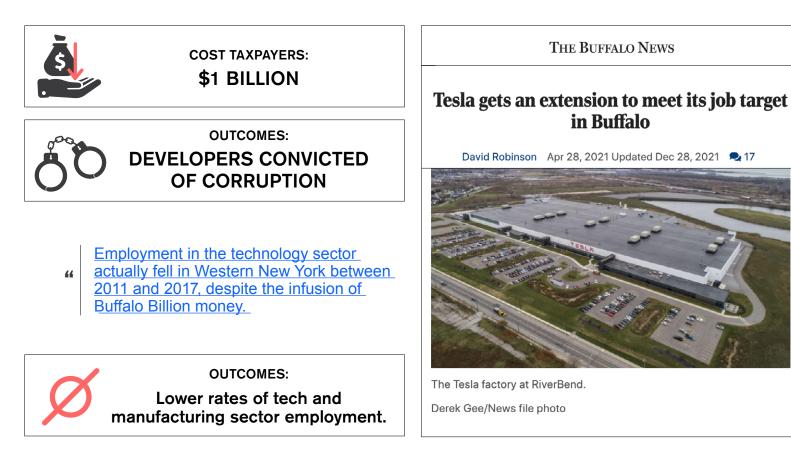


BUFFALO, N.Y. -- New York state is cutting its losses on more than \$200 million in equipment it purchased as part of the Buffalo Billion.



4 BUFFALO BILLION REDUCES TECH HIRING, INCREASES CORRUPTION

The Rest of the Buffalo Billion: The Tesla investment was part of a much larger failed initiative from Cuomo and Hochul named the Buffalo Billion, a \$1 billion spending plan intended to bring tech and manufacturing companies to the Buffalo area. Instead, what the public received <u>was lower rates</u> of tech and manufacturing sector employment in the region and a slew of administration insiders and developers <u>convicted of corruption</u> charges for steering public funds to particular corporations and individuals. As then-U.S. Attorney Preet Bharara <u>put it</u>, "the bids were rigged and the results were preordained. Companies got rich and the public got bamboozled."



5 A TOTAL FLOP: CUOMO'S MULTI-MILLION DOLLAR FILM STUDIO

The Central New York Film Hub:

The Central New York Film Hub is a movie studio outside Syracuse, which cost \$15 million in public funds to build, but was sold for_just \$1 to a new corporation set up by Onondaga County itself, despite Cuomo boasting in 2014, "Who would have ever figured: Hollywood comes to Onondaga, right?" No major films were ever shot at the studio.



COST TAXPAYERS: \$15 MILLION

OUTCOMES: No major films were ever shot at the studio. The New York Times

New York Spent \$15 Million to Build a Film Hub. It Just Sold for \$1.

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A state-built film studio near Syracuse, N.Y., was designed to lure Hollywood to Onondaga County, but it has not lived up to expectations. Heather Ainsworth for The New York Times

By Jesse McKinley June 1, 2018

ALBANY — A \$15 million state-built film studio outside Syracuse, which promised to produce hundreds of jobs and bring Hollywood's glitter to Central New York, hit an inglorious milestone on Friday with its sale to a new corporation set up by Onondaga County to manage it.

The price? \$1.

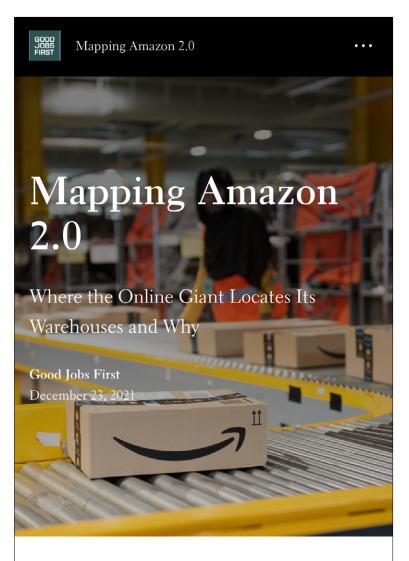
6 BILLIONS FOR A BILLIONAIRE DESTROYING SMALL NEW YORK BUSINESSES

Massive Giveaways to Amazon:

New York localities have given away huge subsidies to Amazon to help the e-retail platform build out its distribution and warehousing network, including \$150 million from Gates, \$70 million from Clay, \$21 million from Montgomery, \$20 million from Greece, \$18 million from East Fishkill, \$13 million from Schodack, and \$6 million from Hamburg. As many analysts have pointed out, these handouts undermine local businesses, harm workers, and have nothing to do with where Amazon chooses to locate, as those decisions are based on many other factors such as access to Prime customers, the area's disposable income, and access to transportation infrastructure. Currently, known **Economic Development Subsidies Awarded** to Amazon.com in New York State as of March 1st, 2022 cost New York localities \$400 million.



2013–2022 COST STATE LOCALITIES: \$400 MILLION



<u>It doesn't make sense for the government</u>
<u>to hand out tax incentives, because if</u>
<u>Amazon wants to be there, they're going to</u>
be there, period.

"

7 FACILITATING FRAUD: CORRUPT COMPANY CHASES IDA PAYOFF

Medline Lies: Medline, a manufacturer and distributor of pharmaceutical supplies, threatened to move a warehouse project in Montgomery to New Jersey or Pennsylvania if its application for a local IDA tax break was rejected. When it didn't receive the tax break, Medline <u>built the</u> warehouse anyway, highlighting that development incentives almost always play no role in corporate location decisions. Sen. James Skoufis has <u>referred a case</u> against Medline to the Orange County DA for potential prosecution for lying on government documents.



OUTCOMES: When Medline didn't receive the IDA tax break, the warehouse was built anyway.

recordonline.com Times Herald-Record

The Medline warehouse in Montgomery on Oct. 12. In seeking tax breaks from the town for an expansion, the company had said it would relocate to another state without the financial incentives. Now state Sen. James Skoufis has asked the Orange County DA's office to open a criminal probe into those remarks. *KELLY MARSH/FOR THE TIMES HERALD-RECORD*

LOCAL

Criminal probe afoot: Medline's threats to relocate unless Montgomery gave tax breaks



Vigword Times Herald-Record Published 5:01 a.m. ET Nov. 11, 2021 | Updated 6:02 a.m. ET Nov. 11, 2021



MONTGOMERY - State Sen. James Skoufis called for a criminal investigation into what he said were false statements by Medline on applications for tax breaks for the giant warehouse that the medical supplier is completing in Montgomery.

Skoufis, a Cornwall Democrat who had crusaded against those benefits until the company withdrew its request, announced Wednesday that he has now asked Orange County District Attorney David Hoovler to investigate claims the company made to both town and county agencies to try to win tax incentives.

In both cases, Medline, which has a distribution center in Wawayanda and wanted to build a much larger facility nearby, warned it would or may move to New Jersey or Pennsylvania instead if it didn't get the tax reductions it was seeking. It had asked the Montgomery Industrial Development Agency for \$17.6 million in breaks.

8 YET ANOTHER EMPTY TAXPAYER-FUNDED FACTORY SCAM

Soraa LED Lighting: The state built a <u>\$90 million factory</u> for the Soraa LED lighting company, which walked away from the deal with no penalty, and which spent none of its own money on the project. The state then committed up to \$15 million more so NexGen Power Systems, a semiconductor company, would retrofit and lease the plant. NexGen <u>then received \$3</u> million more in property tax reductions, as well as tax breaks on equipment and construction materials.



COST NEW YORK: \$90 MILLION



OUTCOMES: The company walked away from the deal with no penalty, and spent none of its own money on the project.



MORE STATE SPENDING: \$15 MILLION, AND THEN \$3 MILLION MORE IN ADDITIONAL TAX CUTS

syracuse.com

NY taxpayers built \$90M factory in DeWitt for firm that walked away, didn't create a job

Updated: Jan. 30, 2019, 12:09 p.m. | Published: Jan. 04, 2018, 2:30 p.m.

By Rick Moriarty | rmoriarty@syracuse.com

DeWitt, N.Y. -- In 2014, the development arm of SUNY Polytechnic Institute agreed to build, with \$90 million in state money, a factory in DeWitt for an LED light bulb manufacturer.

The company, California-based Soraa, agreed to create 250 fulltime, high-tech jobs at Collamer Crossing Business Park and to encourage Soraa contractors and suppliers to create another 170 jobs in Central New York.

In return, the company would be allowed to lease the factory for \$1 a month for 10 years.

But the deal with SUNY Poly's Fort Schuyler Management Corp. did not require Soraa to spend any of its own money to build or equip the factory. And it contained no penalties if the company did not occupy the building or create the promised jobs. The company never even signed a lease.

9 MILLIONAIRES' HORSES GET MORE THAN FARMERS OR VETERANS

Horse Racing Subsidies: New York has directed \$2.9 billion in subsidies to horse racing in the name of economic development since 2004. The subsidies have failed to enable racing to be self-supporting or fulfill its constitutional mandate to provide a reasonable revenue to the state from wagering. As a thorough Times-Union investigation pointed out, the amount horse racing is subsidized is "more than twice the money New York budgeted for the state Department of Agriculture in the same time period, and 13 times what it spent on veterans' services." But, the state has never independently verified the amount or quality of jobs that racing claims-or the actual economic impact the sport provides.



SUBSIDIES SINCE 2008: \$2.9 BILLION TIMES UNION SPECIAL REPORT

How New York bankrolls horse racing with billions

All but three of New York's horse racing tracks would likely close without subsidies provided by the state, a recent study found

By **<u>EMILIE MUNSON</u>** | Feb. 18, 2022 06:00 a.m.



BONUS: BILLIONAIRE TEAM OWNERS DON'T NEED PUBLIC SUBSIDIES

Dishonorable Mention: Sports Subsidies: Every independent analyst and economist who has looked into subsidies for sports stadiums <u>has come to the same conclusion</u>: They don't provide benefits to the local community and just line the pockets of billionaire team owners. That hasn't stopped New York from sinking billions of dollars of public money <u>into stadiums</u> new and old, including \$1.2 billion for Yankee Stadium, \$614 million for Citi Field, and hundreds of millions of dollars for the Barclays Center. The state legislature and the Hochul administration are currently considering an up to \$1 billion subsidy for a new Buffalo Bills Stadium.

Bloomberg CityLab

CityLab | Economy The Never-Ending Stadium Boondoggle You and I continue to foot a large part of the bill for America's billionaire sports owners.



By <u>Richard Florida</u> +Follow September 10, 2015, 12:35 PM EDT

10 STATE SUBSIDIES FOR REAL ESTATE BILLIONAIRES & LUXURY HOUSING

421-a Housing Handout: The 421-a housing handout is consistently the most expensive tax break in New York State, costing \$1.7 billion in fiscal year 2021 alone – 10 times more than it cost in 2001 – and doling out tax breaks to developers that last for literally decades. For all that money, New York gets little in the way of housing affordability, with most of the units subsidized by the program still far too expensive for the renters who need affordable housing. 421-a is scheduled to expire at the end of the year.



IN 2021, THE 421-A TAX BREAK COST NEW YORK STATE: \$1.7 BILLION

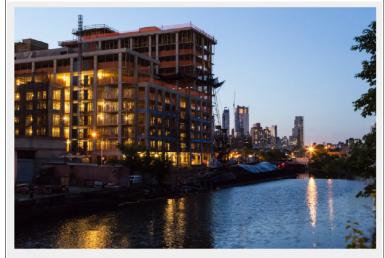
OUTCOMES: Most of the units subsidized by the program are far too expensive for the renters who need affordable housing.



Hochul's Proposed 421-A Replacement Is In For a Fight, Key Lawmakers Signal

Colin Kinniburgh / February 7

"By April 1, it will be out or modified. It will not be this program," one legislator predicted.



Construction in Gowanus, 2015. Most multifamily buildings built in NYC over the last decade have used the 421-a tax break, especially buildings in Brooklyn. |

After Governor Kathy Hochul delivered her State of the State address in early January, housing organizers issued a bitter rebuke.

"On housing, Governor Hochul is continuing the worst of Cuomo's legacy," said the Housing Justice for All coalition <u>in a statement</u>. The group singled out one policy in particular: the 421-a tax break for real estate developers, which <u>Hochul promised</u> to let expire—only to replace it with a new, substantially similar tax break.

DAILY®NEWS

MORE NEEDLESS SUBSIDIES FOR VALUABLE MANHATTAN REAL ESTATE

Penn Station Boondoggle:

One of Gov. Hochul's top priorities is the redevelopment of Penn Station and Madison Square Garden, which involves a likely massive – <u>and to date undisclosed</u> – subsidy to the developer Vornado that could total billions of dollars. The state is also on the hook for any potential cost overruns. Already, Madison Square Garden is the recipient of a massive <u>\$44 million annual tax break</u> that has cost the city more than half a billion dollars in total.



COSTS OF SUBSIDIES UNDISCLOSED



The state is on the hook for cost overruns.

OPINION

Slam the brakes on state's Penn Station project

By LIZ KRUEGER and BRAD HOYLMAN NEW YORK DAILY NEWS | FEB 14, 2022



Travelers make their way through Penn Station. (DAVID DEE DELGADO/Getty Images)

Here's the deal: A developer is willing to pay for the cost of a new train station in return for rights to build new office space. Sounds good, right? Yes, except we don't know how much the train station costs, how much money the developer is paying, how much money the developer is making, or how big the development is going to be.

Plus, who's the backstop for such an ambitious proposal if it doesn't work out? You, the taxpayer.

That is exactly the deal New York State is about to make. Except the project that Empire State Development is set to approve would not be just a little bit of office space; it would be 10 new towers totaling more than 18 million square feet of new office space.

If approved, the project around Penn Station, proposed by former Gov. Cuomo, would be one of the largest commercial developments in the history of New York, the size of a new Hudson Yards smack in the middle of Manhattan. In theory, the



factories and tenements in the shadow of Midtown. It has transformed into a colossal complex of office towers and residential buildings, thanks in part to taxpayers. Stephanie Keith/Getty Images

By Matthew Haag March 9, 2019

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NEW YORK POST

Real-estate honchos dump big bucks into Gov. Cuomo's re-election bid

By Carl Campanile August 1, 2021 | 6:01pm | Updated

Donors from NY's real-estate industry are putting money into Gov. Andrew Cuomo's reelection.

12 HUDSON YARDS COST US BILLIONS – ANOTHER SUBSIDY FOR A BILLIONAIRE

Hudson Yards: Hudson Yards developers benefit from <u>\$1.1 billion in IDA handouts</u>, a total that is likely to climb higher as more commercial and retail buildings are constructed. The area also benefited from billions of dollars in <u>special infrastructure</u> <u>favors</u> that could have been spent on broader city benefits. Researchers had to use open records law to access some of the numbers, as they <u>weren't all publicly disclosed</u>.



IDA HANDOUTS: **\$1.1 BILLION**



BILLIONS OF DOLLARS IN INFRASTRUCTURE FAVORS

Amazon's Tax Breaks and Incentives

Were Big. Hudson Yards' Are Bigger.

•

PLAY THE CROSSWORD

HOW TO PUT OUR Dollars to work for All New Yorkers

Make a real investment of at least \$30 billion dollars in the communities most impacted by the COVID-19 pandemic.

- Reverse years of austerity cuts to critical frontline health and human services, including mental health and crisis services, overdose treatment and prevention, public benefits, harm reduction and supportive services for New Yorkers in need.
- 2. Invest in community-based resources to respond immediately to specific incidents of gun violence instead of investing in more prisons, jails, policing or rollbacks to bail reforms.
- **3.** Devote \$15-20 billion per year to addressing the climate crisis.
- **4.** End Cuomo-style "economic development" that favors the ultra-rich over working-class New Yorkers.

Additional policy suggestions can be found here: https://bit.ly/IONYMarch22Letter



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NEW YORK'S WORST "Economic Development" DEALS