

JOINT COUNCIL No. 16

INTERNATIONAL BROTHERHOOD OF TEAMSTERS



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May 16, 2022

Suffolk County Industrial Development Agency
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Re: Applicant: Spagnoli Road, LLC (Hartz Mountain Industries, Inc.)
Project: Construction of a 411,000 sq ft building to be used “for manufacturing, warehouse and/or distribution uses.”
Location: Spagnoli Road (no street number), Melville, NY 11747

Dear Chairwoman Wright and Members of the Board:

Teamsters Joint Council 16 represents 120,000 workers in Downstate New York and Puerto Rico, including many in the warehousing and logistics industry. It is part of the 1.4 million-member strong International Brotherhood of Teamsters.

These comments are being submitted for the public hearing on May 16, 2022 to discuss the project on Spagnoli Road in Melville, NY 11747 which is being developed by Hartz Mountain Industries, Inc. Suffolk IDA documents describe the project as “the construction of an approximately 411,000 square foot building” on “31.32 acres of real estate located on Spagnoli Road” to be subleased “to third-party tenants for manufacturing, warehousing and/or distribution uses.”¹

The Suffolk IDA is considering assistance to the project in the form of a 15-year Payment in Lieu of Taxes (PILOT) agreement along with additional mortgage tax exemption and sales tax exemption aid. We urge the Suffolk IDA to delay action on this request for assistance, until there is more information on the project which could be used to evaluate whether the IDA’s assistance is appropriate and necessary.

¹ Notice of Public Hearing, May 6, 2022.

This Project May Be An Amazon Facility:

Suffolk IDA documents do not specify a known end user for the warehouse. Despite this, there seems to be a significant chance that some component of the project will be an Amazon warehouse such as a last mile delivery station:

- The applicant – Hartz Mountain – has an existing relationship with Amazon:
 - Earlier this year, it signed a 10-year lease with Amazon for one of its buildings at 235 Pinelawn Road (also listed as 90 Ruland Road) in Melville, NY on the former Newsday site.²
 - In 2017, Hartz Mountain developed a building in Weehawken, NJ for Amazon subsidiary Whole Foods.³
- The development on Spagnoli Road was described in a 3/4/2022 *Long Island Business News* article as a “last-mile, warehouse and distribution facility.”⁴
- Amazon seems to be creating a concentration of last mile facilities in Melville. Last year, “the company leased two adjacent buildings at 540 Broadhollow Road and 1770 Walt Whitman Road” in Melville that are being used as last mile delivery stations.⁵
- Amazon is now the largest operator of e-commerce facilities and the largest single developer of warehouses and logistics facilities in the United States. From 2014 to the first half of 2021, the number of last mile delivery stations grew from just 8 to almost 450. Amazon plans to open at least another 250 last mile delivery stations in the U.S. over the next 2 years. The company reportedly plans to open at least 1,500 last mile delivery stations.⁶
- Amazon has made an aggressive push to build more last mile warehouses in Long Island, working with developers to build facilities in Syosset, Holbrook, Woodmere and Westhampton. Amazon continues to push more Long Island development projects in places such as Freeport.

Suffolk IDA officials should request that the applicant divulge any intended or prospective end user. It is likely that there is either a known end user or 1 or more prospective end users, given the length of time that this project has been under development:

- Hartz Mountain bought the land in 2019.⁷
- The developer submitted this project’s application to the Suffolk IDA in August 2020.⁸
- It has already received approvals from the Huntington Planning Board.⁹

If the Suffolk IDA knew the end user, it would be in a better position to evaluate if the project needed and/or warranted tax breaks.

This Project May Not Need Suffolk IDA Assistance:

The purpose of IDAs is to:

- 1) Offer assistance in the creation and/or retention of local jobs that might otherwise be impossible, and

² <https://greaterlongisland.com/amazon-warehouse-planned-for-former-newsday-headquarters-in-melville/>

³ <https://www.northjersey.com/story/money/shopping/2017/06/27/whole-foods-365-new-format-store-coming-weehawken/430750001/>

⁴ Long Island’s Industrial Revolution,” *Long Island Business News*, March 4, 2022.

⁵ <https://libn.com/2022/02/25/amazon-leases-first-building-at-former-newsday-site/>

⁶ <https://www.freightwaves.com/news/amazon-to-blanket-the-burbs-with-lots-of-delivery-stations>

⁷ <https://www.hartzmountain.com/Pages/Developments.aspx>

⁸ Letter from Hartz Mountain Vice President James P. Rhatican, 4/22/2022.

⁹ Letter from Hartz Mountain Vice President James P. Rhatican, 4/22/2022.

- 2) Incentivize job-creation projects that might otherwise go to other locations.

We question whether these objectives would be met by subsidizing an Amazon project.

The project's Form Application for Financial Assistance asks "is the requested financial assistance reasonably necessary to prevent the Applicant from moving out of New York state?" Interestingly, the developer did not answer "Yes" or "No" but left the answer blank. It did state that "the financial assistance is critical to developing the property. The incentives make the project financially feasible allowing [sic] to attract hundreds of new jobs to the region by being able to offer a competitive rate compared to lower cost markets across the Country."¹⁰

Elsewhere, the Form Application for Financial Assistance asks "is there a likelihood that the Applicant would not proceed with this Project without the Agency's assistance?" Hartz Mountain answered "Yes," clarifying that "If but for the Suffolk IDA's financial assistance the project would not be able to move forward. It is imperative in today's ultra competitive market that Long Island competes with out of NYS that incentives are in place to support larger scaled projects that yield new jobs."¹¹

These assertions – about the necessity for IDA subsidies to locate the project in the county – are unlikely to be true in the event that this project is an Amazon warehouse, because such facilities must be near the areas they service with deliveries. In other words, a facility intended to service Long Island could not otherwise be located in another state.

This is particularly true if the project will include 1 or more last mile delivery stations. Because they are the final stop in the e-commerce supply chain before packages are delivered to customers, they must necessarily be located in the immediate vicinities of their service areas.

Furthermore, if this project is an Amazon facility, the company's enormous wealth renders the Suffolk IDA's financial assistance unnecessary.

This Project May Not Create Good Jobs:

A prime reason for supporting projects such as this one is the prospect of jobs for local residents. This project may not create good jobs that can sustain local, middle class families:

Negative Impact on Wages for the Temporary Construction Jobs:

It is assumed that the project will generate over 200 construction jobs.¹² The applicant, however, has failed to sign a Project Labor Agreement (PLA) with the Building and Construction Trades Council of Nassau & Suffolk Counties (AFL-CIO) to ensure that the construction jobs will be union, living-wage jobs – despite assurances of repeated discussions with the organization.¹³

Negative Impact on Wages for the Permanent Warehouse Jobs:

The project is anticipated to generate 200-300 permanent jobs.¹⁴ There is no guarantee that these will be good jobs if this project is an Amazon facility:

¹⁰ Form Application for Financial Assistance, Page 11, SCIDA Project Abstract, 5/20/2021.

¹¹ Form Application for Financial Assistance, Page 24, (Question 3 of Part VII), SCIDA Project Abstract, 5/20/2021.

¹² "Fiscal and Economic Impact Summary Analysis" dated 7/16/2021 and prepared by Nelson, Pope & Voorhis, LLC (NPV).

¹³ Letter from Hartz Mountain Vice President James P. Rhatican, 4/22/2022.

¹⁴ "Fiscal and Economic Impact Summary Analysis" dated 7/16/2021 and prepared by Nelson, Pope & Voorhis, LLC (NPV).

- According to Bureau of Labor Statistics data for 68 counties where a large Amazon facility was opened, the average compensation for the industry declined more than 6% in the two years after opening.¹⁵
- A U.S. Government Accountability Office report from October 2020¹⁶ cited in several articles found that in the 9 states covered, more than 4,000 Amazon employees receive SNAP food assistance.
- Pre-pandemic research found that warehouse workers in areas with an Amazon facility earned about 10% less than similar workers elsewhere.¹⁷

Injury Rates Associated with Amazon Facilities:

- A study published in April 2022 found that Amazon warehouse workers in the U.S. suffered serious injuries at twice the rate of rival companies in 2021.
- OSHA data for 2020 shows that the serious injury rate at Amazon warehouses – meaning workers were hurt badly enough to miss work or be placed on light duty – was almost 80% higher than the entire warehousing industry at 5.9 serious injuries for every 100 Amazon workers.^{18 19}
- Despite touting millions spent on safety, internal data show that Amazon leaders went to great lengths to hide an ongoing, and worsening, safety crisis at company warehouses across the U.S.²⁰

Amazon Employment Churn: Data shows that when Amazon moves into a county, turnover rates for the entire county skyrocket – in just 2 years, a new Amazon facility increases the turnover rate for warehousing and storage employees an average of 30%.²¹ In California, researchers found that the average turnover rate in “Amazon” counties for warehouse workers more than doubled in the years between 2011 and 2017, from 38.1% to 100.9%.²²

Conclusion:

For the reasons discussed above, we respectfully request that the Suffolk IDA refrain from approving the proposed project until it has the information needed to make an informed investment decision. Thank you for your consideration.

Sincerely,

Teamsters Joint Council 16

¹⁵ Bloomberg. [Amazon Has Turned a Middle-Class Warehouse Job into a McCareer](#). December 2020.

¹⁶ U.S. Government Accountability Office Report to the Ranking Member, Committee on the Budget, U.S. Senate. FEDERAL SOCIAL SAFETY NET PROGRAMS: Millions of Full-Time Workers Rely on Federal Health Care and Food Assistance Program. <https://www.gao.gov/assets/gao-21-45.pdf>. October 2020.

¹⁷ The Economist. [What Amazon does to wages](#). January 2018.

¹⁸ The Washington Post. [Amazon warehouse workers suffer serious injuries at higher rates than other firms](#). June 2021.

¹⁹ Strategic Organizing Center. [Primed for Pain: Amazon’s Epidemic of Workplace Injuries](#). May 2021.

²⁰ Reveal. [How Amazon Hid its Safety Crisis](#). September 2020.

²¹ The New York Times. [Inside Amazon’s Employment Machine](#). June 2021.

²² National Employment Law Project. [Amazon’s Disposable Workers: High Injury and Turnover Rates at Fulfillment Centers in California](#). March 2020.