FACT SHEET
AB 485 (Medina)

LOCAL PUBLIC SUBSIDIES TO DISTRIBUTION CENTERS SHOULD BE TRANSPARENT AND ACCOUNTABLE

Purpose

To give local governments and communities the tools to hold accountable distribution centers that receive taxpayer subsidies intended for good job creation by requiring disclosure and public meetings on job quality measures, accountability provisions, and plans for automation.

Background

The explosive growth of online commerce in recent years has fueled the proliferation of warehouses and distribution centers. These new distribution centers, which can span millions of square feet, have driven developers to look to regions with open space, cheap land, and low wages.

As a result, the Central Valley and Inland Empire have seen a boom in warehouse construction. From 2010 through 2016, 13 mega warehouses containing 1 million square feet or more were built in the Inland Empire. Today, an estimated 43% of all imported consumer goods move through the region.

But distribution center development comes at a steep price for local government and taxpayers. The competition to land Amazon's headquarters is the most well-known example of the lavish public subsidy packages cities will offer prominent companies. The Amazon deal in New York blew up because legislators and the public refused to give the giant retailer $3 billion in subsidies without assurances that communities would not be harmed.

Amazon is only one example of how e-commerce giants pit cities against each other to extract public subsidies to locate in their region. Local governments that offer lavish subsidies for companies to locate have no guarantee that the deal will benefit the region. Often, the cost to the public far exceeds the benefits.

In 2015, Ontario was competing to land a QVC warehouse. The city promised to return 55% of the total sales tax revenue collected from the company up to $500 million, 60% of sales tax thereafter, and 60% of sales tax back on the equipment that QVC bought. In turn, QVC promised to hire 1,000 workers. Four years later, QVC employs an estimated 200 people though it does not disclose hiring publicly.

Moreno Valley in the Inland Empire is another example. The city was promised that a Skechers warehouse would bring thousands of jobs to the city when it opened in 2010. Instead, Skechers closed five of its warehouses that employed 1200 workers in nearby Ontario and transferred workers to the new site. They also began to automate many tasks, resulting in a net loss of 400 jobs in the region.

Automation threatens to undermine any job creation promises by companies shopping for subsidies. A 2019 Brookings study found that 100% of warehouse machine operators are at risk of being automated. The same study found that the Riverside-San Bernardino-Ontario metro area is the third most likely in the U.S. to suffer from automation of jobs.

Even when companies do create jobs, the quality raises questions of the value of those jobs relative to taxpayer subsidies. A 2015 report by UC Riverside found that warehouse jobs pay less than a living wage, are often temporary, and do not provide health care benefits.

Interviews with workers paint an even bleaker picture. Workers report that warehouse jobs are grueling and dangerous, contributing to high turnover. Injuries from accidents, repetitive motions, and heat stress are common. Many jobs

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are seasonal or temporary, so workers have no reliable schedule or secure income and no chance for advancement.

Massive distribution centers may also exert downward pressure on other employers in the area. The Economist reported that workers in areas where Amazon operates earn 10% less than workers in similar jobs. Another study found that 1 in 10 Amazon workers in Ohio were on food stamps to supplement their meager wages.

Despite the studies that show that the jobs created by distribution centers do not guarantee improvement in the lives of residents or boost the local economy, cities hit hard by unemployment will compete to bring jobs to their residents.

When cities engage in a race to the bottom by giving away taxpayer funds in exchange for low-wage, temporary jobs that do nothing to grow the economy or reduce inequality, the state of California loses, as well. The collective race to the bottom is bad for all Californians. Communities need tools to know what they are getting for their money and the ability to hold developers and employers accountable for the quality and number of jobs they promise to create.

What This Bill Will Do

AB 485 (Medina) builds on current law that requires disclosure by companies that receive local public subsidies of the amount of the subsidy along with the estimated tax impact on the local government and jobs created. This bill requires companies seeking local subsidies to publicly disclose job quality, plans for automation, and any accountability mechanisms should they fail to live up to their promises. It also bans non-disclosure provisions in contracts to allow the public to know the details of a deal before they agree to subsidies.

The bill then requires the company to file an annual report to its approving city or county that reports on its promise of quality job creation and retention for the life of the subsidy. The local government will present the report at an annual public meeting so community members can track progress or lack thereof and recommend corrective measures.

This bill is a further step to give local government the tools to make smart economic development choices that benefit their residents and to hold companies accountable for the taxpayer dollars they receive.

Sponsors

- California Labor Federation
- California Teamsters Public Affairs Council
- Warehouse Worker Resource Center

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