In Applications, Eight of Nine Data Centers in Rockland Offer No Reason Why They Should Get Massive Public Subsidies

$223m from Taxpayers to Create 281.5 Jobs at $793k/Job

Data centers in Rockland County are collecting $321 million in taxpayer subsidies, including $239 million in tax abatements from the Rockland County IDA. Yet in their applications for $223 million of industrial development agency (IDA) tax subsidies, eight of nine data centers present no evidence that they need the subsidies or would generate jobs or taxes that would make the subsidies a good investment of public funds.

Key Findings

- Nine data centers offered to create only 281.5 full-time jobs ($792,627 per job) in exchange for $223,124,447 in subsidies from the Rockland County IDA.
- Eight of the data centers provided no substantive rationale for why they deserved $223 million despite providing no public benefit. Only Bloomberg submitted a cost-benefit analysis that attempted to quantify the public benefit.
- The Rockland County IDA is not protecting the public's interest and clearly does not require the evidence needed to determine whether a subsidy is cost-effective. As a result, data centers in Rockland County are receiving astonishing subsidies, including one deal worth $77 million per full-time job and others worth $3.6m, $4.8m, $1.8m, and $1.0 million per full-time equivalent (FTE).
- Because IDAs grant exemptions for both local and state sales taxes, Rockland IDA's failure to properly vet applicants leaves New Yorkers on the hook for $105 million in lost state sales tax revenue.

Company	Subsidy Per Full-Time Job^	Cost-Benefit Analysis	Quantified Public Benefit	Competing Locations
JP Morgan Chase Datacenter II	$76,715,000	❌	❌	❌
CoreWeave	$3,589,286	❌	❌	❌
Morgan Stanley Services Group	$4,813,387	❌	❌	✔
Point72	$1,758,750	❌	❌	❌
JP Morgan Chase Bank	$1,044,118	❌	❌	❌
DataBank Holdings LTD	$896,882	❌	❌	✔
1547	$580,968	❌	❌	✔
Natixis	0 jobs	❌	❌	❌
Bloomberg*	$69,265	✔	✔	❌
TOTAL	**$792,627**	**1 / 9**	**1 / 9**	**3 / 9**

** - Figures are actual tax expenditures claimed as reported to the Authorities Budget Office (ABO) and in project documents rather than project commitments because the project has ended.*

^ - Job totals are calculated using the higher number of projected jobs or actual jobs.

Recommendations

- End sales tax abatements and power subsidies to data centers.
- Require rigorous, transparent cost-benefit analyses for any corporate subsidy.
- Reject all corporate subsidies that offer no measurable public benefit — the burden should be on the applicant to demonstrate that the public benefits justify the cost.
- Ban IDAs from granting state sales tax abatements to any companies; New Yorkers across the state should not pay the price for a local IDA's lack of due diligence.

Previous Reinvent Albany Reports on Data Centers

- NY Taxpayers Giving at Least $321 Million to Rockland County Data Centers
- Recommendations for ESD's Community Investment Framework for Governor's Data Center Moratorium
- Support for Bill Banning Data Center Subsidies
- Support for Gov. Hochul's Commitment to Pass Law Banning IDA Sales Tax Breaks for Data Centers
- NY Taxpayers Spend $77M for One JP Morgan Data Center Job

Introduction

Reinvent Albany supports Governor Hochul's commitment to passing legislation next session to end sales tax abatements for data centers. We believe government funds should not be wasted on unnecessary corporate subsidies, and that a company receiving millions of taxpayer dollars should, at minimum, demonstrate its necessity and public benefit.

Data centers in Rockland County too often failed to do so. Instead, applicants frequently offered a few sentences asserting the importance of local and state financial assistance, mentioned unspecified locations in other states, and warned that the project might be reconsidered without subsidies. In several cases, there was no quantitative analysis of competing locations, no calculation of the difference between New York and other states' incentives, and little effort to explain the project's tangible benefits to the community.

This analysis will focus on applications for financial assistance submitted by nine individual data centers spread across four sites:

- DataBank Holdings and its tenant CoreWeave
- 1547 and its tenants Morgan Stanley, Point72, and Natixis
- JP Morgan Chase's two data centers
- Bloomberg's single data center

Data Centers Rarely Explained Why Subsidies Were Needed

Our review of the Rockland County data center subsidy applications found strikingly sparse explanations for why these companies need taxpayer assistance. Too often, companies gestured toward "alternative locations" offering incentives and suggested they would "reconsider" if they didn't receive subsidies, leading the Rockland County IDA to offer financial assistance to make its site more attractive than an unknown alternative. Applicants created the appearance of competition without demonstrating that such competition actually exists. However, a legitimate competition between locations should be measurable. If a company is deciding between Rockland County and another site, the company should be able to identify the alternatives and explain the economic differences. The data centers in Rockland County generally did not do so.

Of the nine applications reviewed, four companies did not identify any competing locations. Of the five that did, only three named a specific city, agency, or other identifiable site. None compared the incentives available in Rockland County with those offered at competing sites. None provided a calculation showing the financial gap that supposedly makes the Rockland project uncompetitive without public assistance. Several companies offered only a handful of sentences in response to questions about competitive factors, alternative sites, and the consequences of not receiving subsidies. If

a company cannot articulate why it needs a subsidy, Rockland County IDA – or any IDA in New York State – should not provide one.

JPMC Datacenter II, which received a massive $76.7 million subsidy for a single full-time job that has yet to be created, argued that "receipt of financial assistance will increase the business justification" without detailing said justification any further. Its response identifying competitors consisted of a sentence fragment that stated only, "considering all other programs offered by other states and jurisdictions."

1547, which received $9 million in tax exemptions and promised 15.5 full-time equivalent jobs, pointed to competition from Pennsylvania and said that without incentives, "the project will require reconsideration." It identified several states and two cities as alternate locations but did not specify what incentives those locations offered or what financial gap Rockland County needed to close.

Natixis, which received $96,000 in subsidies and created zero jobs, provided only three and a half sentences across five questions concerning its need for incentives, with little more detail than "IDA assistance will help fund the project in a cost-effective manner." Asked about the competitive factors that led it to consider other sites, Natixis responded with half a sentence: "cost of doing business."

Morgan Stanley said it reviewed multiple locations outside Rockland County and narrowed its options to six sites, but it named only one. If denied a sales tax exemption, "the probability that Morgan Stanley will select alternative facilities outside of the state increases significantly." These vague claims and the promise of creating four full-time and 36 construction jobs earned them $19.25 million in sales tax exemptions.

Point72's rationale was similarly insufficient — perhaps because several sections of Point72's application appear to be directly lifted from Morgan Stanley's application from the prior year, with nearly identical language across several questions (we believe consultants and brokers may work across companies to find subsidies for data centers, leading to similar applications). Both stated they are "weighing this assistance against other alternative facilities with compelling economic models" and cited "geographic proximity to current operations and management resources" as a factor in their decision. Both claimed that without financial assistance, "Rockland County will lose out on the corresponding economic benefits that would result from this large capital investment." Both cited "capacity," "expansion potential," and "site design and resiliency" as reasons to consider other locations. Point72, unlike Morgan Stanley, did not even bother to name the competing sites it was apparently evaluating.

When a company asks taxpayers for $8.8 million and creates only 5 jobs, as Point72 did, the public should not be left wondering how much independent analysis went into making the case. At minimum, the glaring lack of due diligence reinforces the need for economic development agencies to scrutinize subsidy applications rather than treating applicants' assertions as sufficient evidence by default.

In a Race to the Bottom, Taxpayers Lose

A subsidy can be sought-after without being necessary. A company may prefer the Rockland location for a host of other reasons yet still request a tax break simply because one is available. CoreWeave, for example, stated that even without a tax break, it "likely would have moved forward because market conditions/demand for data center capacity requires that we move forward expeditiously." DataBank Holdings highlighted "local zoning" at the project site as a factor. Without a concrete analysis weighing these factors, it is unclear whether an incentive is a necessity or an automatic entitlement.

The Rockland applications make this problem particularly apparent because several applicants identified other states without providing enough information to evaluate them. The applications rightly ask companies whether they have contacted other localities or agencies about tax incentives and to provide the dollar amount they expected to receive from other localities. Of the four that said they had been in touch with other sites, the answers were alarmingly incomplete.

JP Morgan Chase responded with "New Jersey and Connecticut." DataBank Holdings identified Empire State Development but did not explain the assistance sought. Morgan Stanley identified one New Jersey agency offering sales tax exemptions but provided no further details. Natixis left the follow-up question entirely blank. None of these four applicants detailed the assistance they expected to receive from the other jurisdictions, making a basic comparison impossible.

If a company provides detailed information about its alternatives, it lets the public and economic development officials assess its claims: whether the competing site exists, whether it is offering the claimed incentives, and whether the project would actually leave New York without them. But vague mentions of other locations make the claims impossible to evaluate. Without numbers showing what other jurisdictions offer and how they differ from Rockland County, the supposed competition becomes little more than a threat that another state *might* offer more money. A subsidy should close a demonstrable financial gap, not match an unspecified offer that may or may not exist.

The applications illustrate a troubling race to the bottom, in which states compete to offer subsidies without establishing whether they are necessary. New York offers a tax break because New Jersey might offer one. New Jersey offers a tax break because

Connecticut might offer one. Meanwhile, taxpayers in every state are left competing against one another to see who will surrender the most revenue.

No Attempt to Quantify Public Benefit

The data center applications were similarly weak when asked to explain what the community would lose if the subsidies are not awarded. In some cases, the answers did not mention the community at all. Natixis stated that "the bank may not renew [sic] contract with the provider and would have to move to a cost-effective location." The community impact for JP Morgan Chase was that "the project will not move forward without financial assistance." These statements may establish the impact on companies, but they do not establish how the community would benefit.

Even where applicants gesture toward community benefits, the claims are vague and brief. JPMC Datacenter II said that "financial benefits of having this facility in the community will not exist (i.e. sales revenue)." DataBank Holdings at least pointed to some tangible consequences in its one-sentence response, citing the loss of local full-time jobs, construction jobs, and more than $250 million in capital expenditures. Point72 and Morgan Stanley referred broadly to the "economic benefits" of a large capital investment.

But "economic benefits" is not a concrete justification. Eight of nine companies did not attempt to quantify the public benefit; only one calculated how much new tax revenue the project would generate, what public costs it might impose, or the net fiscal benefit after accounting for the subsidy.

Between 41% and 71% of Americans oppose building data centers near their homes, with growing concerns about water and energy usage, pollution, and quality of life. Data centers employ far fewer people than any other industry, consume enormous amounts of electricity and water, and get the biggest taxpayer handout per full-time job. If data centers want public money to build facilities that can impose substantial costs on communities, they should be expected to demonstrate substantial public benefits.

A Better Model: Bloomberg

One application offered a more thorough justification. Bloomberg provided a fiscal impact and incentives analysis detailing exact tax revenue projections and a 5-page narrative highlighting the project's benefits to Rockland County. Unlike other data centers, Bloomberg quantified public benefits and provided concrete numbers regarding factors like full-time jobs, construction jobs, sales tax revenue, property tax revenue, land use, and future development — details that make it possible to conduct a basic cost-benefit analysis. Notably, Bloomberg's project created 447 total jobs (including 250 construction jobs), the second-highest amount among those surveyed.

Bloomberg's application is not perfect; it does not identify specific competing sites or compare the incentives offered there, instead referring generally to alternative locations in northern New Jersey. This leaves unanswered questions about whether those alternatives were seriously considered and what incentives they offered. But its approach is significantly stronger because it attempts to quantify the public benefit rather than just baselessly asserting that one exists.

Corporate Subsidies Should Not Be Automatic

New York has a long history of providing billions of dollars in corporate subsidies. The Rockland County data center applications show that, far from being transparent and fact-based, these tax abatements are becoming automatic giveaways. Companies can invoke competition from other states without identifying competitors, claim subsidies are necessary without calculating the financial gap, promise economic benefits without quantifying them, and suggest that a project might move elsewhere without demonstrating that it actually will.

Before approving millions of dollars in subsidies, economic development agencies should require companies to provide a strong rationale in applications, with most data made publicly available, that includes:

- Specific competing locations, including the city, site, or development agency.
- Specific competing incentives, including the type and dollar value of tax exemptions or other financial assistance being offered.
- A financial comparison showing the difference between the New York site and realistic alternatives.
- A clear statement of what happens without the subsidy, distinguishing between a project being delayed, relocated, or actually canceled.
- Quantified public benefits, including jobs and employment opportunities, tax revenue, capital investment, and other measurable benefits.
- A calculation of net public benefit after accounting for the value of the subsidy.
- An explanation of community costs, particularly for projects that impose substantial demands on electricity, water, land, infrastructure, or other public resources.

In short, the onus should be on the applicant to demonstrate why the subsidy is necessary. If New York responds to every vague threat of relocation by offering another tax break despite no demonstrable benefit to the community, states will continue competing to see who can give away the most taxpayer money. Companies will have every incentive to keep their alternatives vague and their demands high, all while taxpayers shoulder the burden.