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Claims That Employers at the Kingsbridge Armory Can't Pay a Living Wage Don't Add Up

This week, the New York City Council will vote on whether to proceed with one of the most exciting development projects in the city - the Kingsbridge Armory, the giant castle in the northwest Bronx that has been vacant for years. The city has approved over \$60 million in public subsidies for the developer, the Related Companies, and the community is eager to welcome a bustling shopping center to a neighborhood starved for commerce and good jobs.

Having agreed to build a similar taxpayer-subsidized project in downtown Los Angeles - with promises of living wages for all employees - Related has the subsidies and experience to create another successful revitalization project in a community that desperately wants one. But Mayor Michael Bloomberg and the developer are trying to play a different hand in the Bronx, arguing that providing living wage jobs - \$10 per hour plus benefits in New York - would sink the project. The community, with good reason, doesn't want a massively-subsidized development that yields only poverty-wage jobs. And now, this promising opportunity is at a standstill.

We are attorneys who have worked on living wage policies and agreements across the country. We have firsthand knowledge of the Los Angeles projects that have become part of the Kingsbridge debate, and of the broader movement to ensure that taxpayers do not subsidize jobs that keep workers in poverty. We write to share our experiences - and to explain why the claim that what has worked in LA and elsewhere won't work in New York just doesn't add up.

Over the past fifteen years, scores of cities, counties and public agencies across the country have begun requiring businesses seeking taxpayer-funded contracts, grants or subsidies to guarantee that the jobs created with public funds will pay a living wage. Their goal has been to ensure that public spending does not create jobs that pay so little that workers must rely on taxpayer-funded safety net programs for support. A good local example is New York's "421-a" tax incentive program through which the city subsidizes new apartment construction. The city requires developers receiving 421-a subsidies to guarantee that janitors and other building service workers employed in the buildings will be paid at least prevailing wages - which translates to more than \$19.00 per hour plus benefits.

In other cases, community groups and developers have proceeded on a project-by-project basis - often by negotiating payment of living wages through community benefits agreements, or CBAs. CBAs are voluntary, private contracts in which a developer agrees to provide specified community benefits as a means of building community support for a controversial project.

In New York, community groups, developers and the city have only just begun to use this approach on major development projects. Probably the most successful example to-date of an individual project agreement in New York has been the Greenpoint-Williamsburg redevelopment, where developers and the city again agreed to require prevailing wages for the building service workers that will be employed there once the project is completed.

In Los Angeles, by contrast, this approach to development has become the norm. On several major projects there over the past several years developers have agreed to require that most or all of the jobs created by tenants must pay a living wage. Through these CBAs, developers have shown their willingness to work directly with local groups, and step up to the table with legally enforceable commitments on wages. These steps have built community support for previously-controversial projects, smoothing the approval process and improving the projects that have resulted.

In fact, in 2007 Related itself agreed to require its tenants to pay living wages to all of their employees at the Grand Avenue redevelopment project planned for downtown LA - a major project that will include substantial retail space. Related has argued that Grand Avenue is different from Kingsbridge because the living wage requirement there was imposed by the city (as a condition of building the project on city-leased land), rather than negotiated by the community. Related says that this difference made the requirement workable in LA, claiming that somehow it protected tenants in the Grand Avenue project from having to compete with other businesses that are not subject to the living wage.

This claim simply makes no sense. The Grand Avenue project is located in downtown LA in close proximity to other commercial blocks that are not part of the project area and where employers therefore will not be subject to the living wage. Clearly Related believed that the living wage requirement would not prevent it from finding tenants for

the project and operating profitably - despite the fact that nearby retail space located outside of the project area was free of living wage requirements.

Related's willingness to guarantee living wages on the Grand Avenue project raises a basic question: how burdensome would such a requirement actually be for retail tenants at Kingsbridge? New York's living wage rate is currently just \$10.00 per hour, plus benefits. This is a very moderate level and is within the range of what better retailers already pay their frontline workers. Requiring retailers in projects receiving public subsidies to pay a living wage simply forces them to emulate the better employers in the field, and not race to the bottom.

In fact, if slight upward pressure on the wages for the very lowest-paid employees would jeopardize the Kingsbridge project's profitability, the city should be asking whether the project as a whole is financially viable. The financial vicissitudes of Brooklyn's Atlantic Yards project stand as a recent cautionary tale in this regard. If a living wage requirement would sink the Kingsbridge Armory project despite a large public subsidy, elected leaders should question whether the project is sufficiently sound to merit public resources in the first place.

The Kingsbridge project has been promoted - by both the city and the developer - as promising economic opportunity for the northwest Bronx. This may be true, but only if the jobs it creates do not keep families mired in poverty and in need of government assistance to meet their basic needs.

The principle that should guide public policy here is simple: when a developer seeks substantial taxpayer subsidies, it should be expected to create good jobs in return. Los Angeles has made this approach a centerpiece of its economic development strategy, and it has not slowed growth or prevented developers from finding tenants. It is hard to believe that New York cannot do the same.

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