

Economic Development and Community Benefit Agreements

Economic Development

Analysis:

Economic development is typically tied to “incentives” in the form of subsidies, such as tax credits, industrial revenue bonds, loan guarantees, enterprise zones, tax increment financing (TIF), preferential utility rates, and low-interest public loans. These subsidies are offered by state governments, regional development authorities and municipalities to attract industry and advance industrial policies. More and more states and communities are demanding that such subsidy programs be transparent, with regular disclosure of the amount and nature of subsidies received, and that there be accountability. They are also demanding high-quality jobs in return for this public support. Other standards may also be mandated, either for all companies receiving a particular subsidy, or on a case-by-case basis for company-specific development deals.

Rationale:

The goal of legislation affecting economic development is to ensure that public money is not wasted. This not only means making developers and industry accountable for the promises they make in order to secure subsidies, but also ensuring that taxpayer-funded subsidies are not wasted on poorly paying jobs that drive down collectively bargained wages and worker protections. For example, companies who are given subsidies in exchange for promised jobs should disclose exactly what kind of jobs they will create. And they should be required to return subsidies when promised jobs do not materialize. Moreover, cash-strapped communities should not be subsidizing companies that employ large numbers of workers at wages so low that they qualify for public assistance and are forced to rely on public health programs that taxpayers also pay for.

Elements:

Disclosure: Effective disclosure requires annual, company-specific, deal-specific, publicly-available reports on subsidies which summarize the original deal and track outcomes. Disclosure can occur during a pre-approval or application process, post-approval and during the monitoring period.

Pre-approval: Requirement for greater, more-detailed, disclosure, in advance of the approval process, so that public officials and others can better evaluate the potential benefits and costs of a project.

Clawbacks: Money back guarantees that require a subsidized company to produce a certain level of public benefit (usually a certain number of new jobs

and/or investment dollars) in a certain period of time or be required to pay a prorated share of the subsidy back. Clawbacks can be part of the contractual agreement with the subsidized company or incorporated into the laws and /or regulations that govern a particular development program.

Avoiding Service Disruptions: When a community invests in development projects in which it has a proprietary interest, it may require assurances that the project will not be disrupted or delayed due to labor disputes. The extent of the assurance required is based on the level of the community's proprietary interest. Example: San Jose Living Wage Ordinance; D. C. District Hotel Development Projects Act of 2001

Community Benefits Agreements:

Analysis:

Community Benefits Agreements are legally-enforceable, project-specific, contracts negotiated between a community-labor coalition and developer which spell out specific benefits from a development or re-development project to the community. The coalition promises to support the proposed project before government bodies that provide the necessary approvals and subsidies in return for the developer's commitment for such community benefits as job quality guarantees, community services and improvements, environmental benefits, recreational facilities, and/or affordable housing. CBA's ensure that local community residents share in the benefits of major developments by allowing community groups to have a voice in shaping the project, advocate for community benefits tailored to their particular needs and enforce the developer's promises. CBA's can be incorporated into the development agreement between the community and the developer, making them enforceable by the community as well.

Community benefits agreements are only successful when they are supported by a strong coalition of community organizations, including faith-based organizations and labor unions. The coalition partners must organize early in the approval process, prioritize competitive concerns, decide on a decision-making process, and keep their working partnership together. When good CBA's are negotiated, there is a valuable precedent set that makes future campaigns in that community much easier.

Rationale:

Developers who move into existing communities have a responsibility to those communities, not only because of the broad impact their project will have, but also because taxpayer dollars subsidize their project. Large development and redevelopment projects typically involve land parceling through eminent domain, new/improved streets and other infrastructure that the community provides, property tax reductions or abatements, tax increment financing, and industrial

revenue bonds or other loans. In addition, the community benefits agreement process provides transparency for the government's subsidization/approval process, an efficient and effective mechanism for presenting and addressing community concerns, and a means for creating a cooperative relationship between normally adversarial parties.

Elements:

Living wage: Provides that jobs created by the development, including those of resulting tenants and retailers, will comply with local living wage ordinances or will provide a specified wage rate, which may vary depending on whether health care benefits are provided.

First-source hiring preferences and job training: Developers can participate in and encourage tenants to participate in a First Source of Local Hiring program, giving first consideration to applicants who apply through certain community groups or local employment programs that assist disadvantaged workers. Developers can provide seed money or space for such a program.

Community services: The developer can provide seed money or space or other assistance for childcare facilities, supermarkets, banks and other neighborhood services. Similar assistance can be dedicated to community or youth centers or health clinics. Money can be set aside for street repair, sidewalks, streetlights, and other neighborhood improvements.

Environmental benefits: The project can include adequate open space, including having the developer paying for the purchase of public open space, parks and/or other green space in the project itself or nearby neighborhoods; ensure adequate storm water drainage; minimize air quality impact of truck idling; address community concerns regarding traffic management plans; use "green" building practices such as non-toxic building materials and solar energy.

Affordable housing: For housing developments, a community benefit agreement can require that some of the project's new housing units be affordable; that a low or no-interest loan fund be established, that, with each new square foot of commercial space, a specified amount of money be added to a housing trust fund; that additional land be available at a reduced or "0" cost for non-profit housing development; and/or that developers pay relocation benefits for families and businesses displaced by the project.

Community involvement: If the CBA negotiation process is successful, future campaigns will be easier. The goal is to make the CBA process routine which will, in turn, increase leverage for community groups.