



The Campaign for Responsible Development

A project of FRESC, the Front Range Economic Strategy Center

The Importance of Quality Jobs at the Cherokee-Gates Redevelopment Project

May 2005

An issue brief from the Campaign for Responsible Development (CRD)
See www.fresc.org for a full list of CRD Partners

BACKGROUND

Development is not creating enough economic opportunity for Denver's working families. Our tax dollars are invested in private development projects, but taxpayers have too little information or input in how these funds are spent. Working families need information and a voice in how tax dollars are used to redevelop their communities. To meet this need, a diverse coalition of unions and community organizations has formed the *Campaign for Responsible Development* (CRD). The CRD believes redevelopment builds greater economic opportunity and stronger local communities when it creates jobs that support families through good wages and health care, builds more affordable housing, and promotes neighborhood and environmental safety.

At the Cherokee-Gates project, the developer is seeking substantial tax-funded subsidies. To maximize economic opportunities from this project, the CRD has proposed a contractually enforceable "community benefits agreement." This proposed agreement would involve commitments from the developer in the areas of accessible and affordable housing; safe, sustainable, locally-based construction; neighborhood and environmental safety; and quality jobs.

This issue brief describes the need for better job creation and job quality standards in Denver, particularly at tax-subsidized projects such as Cherokee-Gates. It describes the CRD's initial proposal for creating more quality jobs at the Cherokee-Gates project, and references similar, successful efforts elsewhere.

CRD PROPOSED QUALITY JOBS COMPONENTS

- + Jobs that Pay a "Living Wage" and Provide Health Care
- + A Local Hiring Program that Connects Residents from Nearby Low-Income Communities with Jobs at the Project
- + Family-Friendly Job Policies
- + Policies that Protect Workers Under High-Turnover Service Contracts (Like Security or Janitorial)

140 Sheridan Boulevard, Denver, CO 80226
Phone: 303.477.6111 Fax: 303.477.6123
www.fresc.org

I. JOBS THAT PAY A “LIVING WAGE” AND PROVIDE HEALTH CARE

The Challenge

Too many working families in Denver fall short of economic self-sufficiency.

The federal and state minimum wage of \$5.15 per hour is too low to provide food, shelter, and essentials for an individual in Denver, much less for a family with children. According to analysis by the Colorado Fiscal Policy Institute, a family with one adult and one young child must earn \$16.53/hr to meet the basic monthly costs of living in Denver without government assistance—a wage level known as the “self-sufficiency standard.”¹ For a family of four with two working adults, each parent must earn \$11.38/hr for the family to live self-sufficiently.

As of 2000, the average family size in Denver was 3.14.² That year more than three-quarters of Denver workers earned less than \$40,000, the self-sufficiency standard for a family of three in Denver.³ In order to make ends meet, over 20,000 Denver families rely on Medicaid for their health care; over 50,000 receive food stamps.⁴

Denver and Colorado have taken few steps to address this crisis.

Fifteen states have raised their minimum wage to address the gap between wages and what it costs to live self-sufficiently—Colorado has not.⁵ Over 122 cities across the nation have enacted “Living Wage” ordinances that establish a higher minimum wage for businesses receiving public money.⁶ In more than 40 of these cities, such policies also apply to recipients of economic development subsidies. A growing number of states have also attached explicit job quality standards as a condition for receiving subsidies—Colorado and Denver have yet to act. Denver does have a living wage ordinance, but it covers very few public contracts and does not apply to economic subsidies.⁷

Employers at TIF-subsidized projects are paying sub-standard wages.

Developers seeking tax-increment financing (TIF) subsidies in Denver are not currently required to make job quality commitments. Nor does Denver track the quality of jobs created after-the-fact, making it hard to track the impact public subsidies have on job quality. A forthcoming study by the Front Range Economic Strategy Center (FRESC) found retail wages at TIF-subsidized projects lagged behind average retail wages in Denver.

In 2003, FRESC surveyed retail workers at several TIF-subsidized retail projects and found the average hourly wage to be between \$8 and \$9.10/hr. By contrast, the average hourly wage in the Denver-metro region was nearly \$20 in 2003; for Denver-metro retail employees it was just over \$12.⁸

Taxpayers pay twice for low-wage jobs without health care at subsidized projects.

When wages are low and employers fail to provide health care coverage, families fall short of self-sufficiency and must rely on publicly-funded programs and services to meet their health care needs. This means taxpayers subsidize projects twice—once with the development subsidy itself, and again to help meet the health care needs of the project’s low-wage, uninsured workers.

The Opportunity

A commitment to create quality jobs that provide good wages and health care at the project.

Cherokee, and its contractors and tenants, should pay at least the wage specified in Denver's existing living wage ordinance—currently \$9.30/hr. Employers should provide health care coverage, or an additional \$3.35/hr in wages for workers to purchase their own insurance.

“Family supporting” wages create a more stable workforce for businesses.

Companies that pay higher wages have lower employee turnover, increased productivity, and reduced training and recruitment costs.⁹ This has also proven true for particular subsets of workers, such as working mothers; studies find that increased wages dramatically reduce turnover among working mothers.¹⁰

Health care coverage also benefits employers by boosting job retention.

Multiple studies indicate that workers with employer-provided health care have much higher retention rates than uninsured workers or those with non-employer provided (public, privately purchased etc.) insurance.¹¹ This is particularly true in the retail industry. Costco covers 82% of its workers with health insurance and has annual worker turnover of only 24%.¹² By contrast, Wal-Mart covers only 48% of workers and suffers a turnover rate of 50%.

“Family supporting” wages will better stimulate the local economy.

Workers produce goods and services in the local economy, but their wages also transform them into consumers. This consumption sustains local businesses and generates the revenue necessary for potential growth. Hence, increases in workers' wages ultimately result in greater business revenues, stimulating economic growth and promoting business expansion.¹³

Other developers are already making quality jobs commitments through community benefits agreements:

- + Developers of the Staples Center and the SunQuest Industrial Park in Los Angeles agreed that at least 70% of the jobs at these projects would pay a living wage, including higher wages if health care was not provided.
- + The developer of a North Hollywood mixed-use redevelopment agreed that at least 75% of jobs at that project would pay a living wage, and would pay more if no health care was provided.
- + Recent agreements in San Jose and Milwaukee included commitments to maximize the number of living wage jobs at publicly subsidized redevelopment projects.

II. A LOCAL HIRING PROGRAM THAT CONNECTS RESIDENTS FROM NEARBY LOW-INCOME COMMUNITIES WITH JOBS AT THE DEVELOPMENT

The Challenge

Residents of neighborhoods near the Cherokee-Gates project need job opportunities.

Unemployment soared in Denver following the recession of 2001, and the official unemployment rate remains higher than the rest of the state and the region (6.4% as of February 2005).¹⁴ This official rate greatly understates the actual need for jobs, because it fails to count those who have given up looking for work or those who are “under-employed” because they are unable to find a job in their field or at their skill level. This is reflected in the fact that the poverty rate in Denver was 14.3% as of 2000, the most recent year for which reliable county-level data is available. However, the most recent state data indicates that poverty has risen in Colorado since 2000.¹⁵

Of the twenty-five statistical neighborhoods that fall within a three-mile radius of the project, ten had unemployment rates higher than the city-wide rate in 2000, the most recent year for which neighborhood-level unemployment data is available. Many also suffer from disproportionate unemployment among African American and Latino residents, although data was not available for all neighborhoods.¹⁶ The following table shows the unemployment and poverty figures for these neighborhoods, with those in bold suffering unemployment or poverty above the city-wide average.

Unemployment & Poverty Rates of Denver Neighborhoods Near Cherokee-Gates (2000)¹⁷

DENVER STATISTICAL NEIGHBORHOOD	UNEMPLOYMENT RATE	POVERTY RATE
DENVER CITY-WIDE	5.7	14.3
Auraria/Lincoln Park	10.6	37.7
Civic Center	6.1	28.7
Valverde	7.4	27.7
Baker*	4.5	24.2
Capitol Hill	4.9	17.8
Westwood	7.6	24.0
Athmar Park*	5.7	12.6
Barnum	3.4	13.4
Belcaro	4.5	1.3
Cheesman Park	2.6	11.1
Cherry Creek	2.1	8.1
College View / South Platte	8.0	20.3
Congress Park	3.5	10.9
Cory-Merrill	2.5	5.7
Country Club	1.9	1.2
Mar Lee	6.5	13.8
Overland*	9.4	11
Platt Park*	4.0	6.1
Rosedale	1.9	6.7
Ruby Hill*	6.8	17.6
Speer	3.5	11.9
University	13.1	14.2
University Park	3.6	11.5
Washington Park	1.7	2.1
West Washington Park*	2.9	6.8

* Indicates a neighborhood contiguous to the Cherokee-Gates redevelopment project.

Existing policy is not enough to connect nearby residents most in need to the new jobs created at the Cherokee-Gates project.

The Denver Urban Renewal Authority (DURA), which administers TIF, has had a local hiring policy for developers receiving subsidies for about 10 years. In Denver and elsewhere these policies are commonly referred to as “First Source” or “local-hire” programs. Denver recognizes that the program has not been working as well as it could, and is in the process of examining ways the policy can be improved and potentially expanded. The CRD is encouraged by the city’s reform efforts, and believes our proposal for the Cherokee-Gates project could serve as an important pilot to test policies and practices that could be refined and replicated at other subsidized projects. Problems currently identified within First Source include:

- + incomplete coordination with community-based job training and placement agencies;
- + insufficient identification of future employment needs and lack of targeted training programs prior to the opening of a new project;
- + an insufficient window of opportunity—only 5 days—for finding qualified First Source applicants to fill on-going openings;
- + lack of a dedicated system for matching *nearby* workers to jobs at subsidized developments (openings are currently posted with all other jobs in the statewide workforce system); and
- + insufficient tracking and monitoring—the system only monitors referrals, it does not track the effectiveness of hiring workers referred through the First Source program.

The Opportunity

A strong local hiring program that is dedicated to connecting nearby residents from low-income communities with jobs at the Cherokee-Gates project.

The CRD community benefits proposal seeks to connect individuals with jobs at the Cherokee-Gates project in the following order: (1) former workers of the Gates Rubber Factory; (2) low income individuals from designated low-income neighborhoods within 3 miles of the project (see chart above for list of potential neighborhoods); and (3) low-income individuals from throughout Denver. In order to ensure the success of the Cherokee-Gates local hiring program, the CRD proposes the following commitments from the developer:

- + Identify upcoming jobs at the project far in advance, so job training can be focused on preparing residents for specific job opportunities, thus benefiting workers and businesses.
- + Provide dedicated space at or near the project for a job center to certify eligible residents and connect them with training and job opportunities.
- + Provide seed funding for the job center and work with the CRD to form appropriate partnerships to staff, maintain, and maximize its effectiveness.
- + Work with the CRD, community organizations, contractors, and future tenants to eliminate unnecessary barriers to employment for eligible and qualified residents.
- + Ensure contractors and future tenants notify the job center of hiring needs and job qualifications, so advance notice and targeted training can be effectively implemented.
- + Provide on-going status and progress reports, with a goal of over 50% of positions at the project filled by nearby residents from targeted low-income areas.

Community benefits agreements in other cities have already successfully connected low-income residents with development-created jobs.

A community benefits agreement negotiated for the Hollywood & Highland project in Los Angeles set a goal of 30% local hiring for permanent jobs. It has far exceeded that goal, as over 60% of hires have been from the agreement's targeted zip codes. TrizecHahn, the project developer, credited a carefully crafted strategy involving strong collaboration with city and community partners for this local hiring success. The program's components included:

- + Designated liaisons from the developer to coordinate with the city and community on jobs.
- + A \$100,000 contribution from the developer for job training, which enabled the city to coordinate early training to prepare workers for specific jobs long before the project opened.
- + A widely advertised and heavily attended job training fair where potential applicants were "pre-qualified" based on designated geographic and low-income criteria.
- + An on-site job center coordinated by the city and two city-contracted community agencies.
- + A dedicated system for distributing job openings to community partners charged with helping the developer achieve local hiring goals.

These policies saved businesses recruitment and training costs, and because they were popular and valued by tenants they helped recruit and retain tenants at the project.

Numerous state and federal incentive programs are available to assist contractors or tenants who would be asked to hire workers through this program.

Federal Work Opportunity Tax Credits

Up to \$2,400 (depending on hours worked) for employing certain low-income individuals who have received public assistance or have certain barriers to employment, or to hire young adults from federal Enterprise Communities (EC). An existing EC lies just north of the Cherokee-Gates project.

Federal Welfare to Work Tax Credit

Up to \$8,500 (based on hours worked) for employing individuals who have received public assistance for a long period of time.

State Enterprise Zone Tax Credits

The Cherokee project is located in a state enterprise zone. Employers who provide certain skills training in cooperation with business or industry are eligible for tax credits. Enterprise Zone employers who provide health care are also eligible for a \$200 per employee tax credit.

Federal U.S. Department of Labor Bonding Program

The federal bonding program will cover any workers who cannot be insured commercially, eliminating any risk to employers who choose to hire workers with barriers to employment. The program protects employers, free of charge, for six months from hire date, after which the employer can purchase extended bond coverage for life. There is a 99% success rate among previously bonded workers.

III. FAMILY FRIENDLY JOB POLICIES

The Challenge

Denver's economy depends on working parents.

More than 62,000 Denver households have children.¹⁸ In the majority of these families, every parent in the household works outside the home: In 55% of households with a child under age six, and 62.2% of households with older children, all parents are in the workforce.¹⁹ This includes single parents. Over 73% of single mothers in Denver are also working outside the home.²⁰

The Cherokee-Gates project will attract workers with families.

If the Cherokee-Gates project is to succeed in creating new jobs for the nearby residents, it will have to provide jobs appropriate for workers with children. Ten of the neighborhoods within a three-mile radius of the project have higher than average numbers of households with children; in seven neighborhoods more than a third of all families include children under age 18 (Valverde 43%, Westwood 47.1%, Athmar Park 36.9%, Barnum 41.7%, College View/South Platte 40%, Mar Lee 36%, and Ruby Hill 33.5%).²¹

Work/family balance can be hard to maintain, especially for working class and low-income families.

Any working parent can attest to the challenges of balancing work and life. Parents in low-wage jobs have fewer resources to meet these challenges. Research demonstrates that lower wage employees face much more severe work/life conflicts, with emotional, child developmental, and financial consequences, than their higher income counterparts.²² A study of workers earning less than 200% of poverty—a sample representing one third of the US population—found that:²³

- + Nearly half of all working parents reported some kind of job sanction, including termination, lost wages, denied promotions and written and verbal warnings as a result of trying to meet family needs.
- + More than two-thirds of working parents reported having at least one child with a chronic health issue or special learning need.

Too few employers provide the benefits necessary for maintaining families.

Depending on income bracket, between 40% and 76% of working parents lack basic family-friendly benefits, such as paid leave, sick days that can be used for the care of family members, or flexible scheduling options—with lower income workers having the least access to family-friendly policies.²⁴

The Opportunity

A commitment that project employers will work to provide family-friendly policies.

To ensure that jobs created by the Cherokee-Gates project are suitable for workers with children, and to maximize the recruitment and retention of workers, the CRD's proposal asks employers to provide:

- + Paid sick leave that can also be used to care for dependents, as well as reasonable paid-vacation.
- + Unpaid family and medical leave for extended illnesses or the care of ill family members.
- + Flex-time options to accommodate periodic parenting duties, such as to attend school functions.
- + Policies regarding shift-changes and overtime that are sensitive to child care restraints and do not penalize workers unable to work a varying schedule.
- + Training for managers on family-friendly policies and training for workers to understand their workplace rights.
- + The CRD also proposes a commitment to an on-site or nearby child care facility that will be affordable to workers employed at the project. (This topic will be covered in detail in a separate issue brief.)

A growing number of companies have successfully implemented family-friendly policies for hourly and lower wage workers.

An exhaustive list of all employers who have implemented family friendly policy is beyond the scope of this issue brief. However, publications such as *Promising Practices: How Employers Improve their Bottom Lines by Addressing the Needs of Lower-Wage Workers* and *Increasing the Visibility of the Invisible Workforce: Model Programs and Policies for Hourly and Low-Wage Employees* are just a few of the guides that profile specific businesses that have implemented these programs, including hotels, grocery stores, and retail outlets. Family-friendly policy is not about one-size-fits-all solutions, and the CRD is committed to working with project employers on finding solutions that are appropriate for their workforces, by pointing them to other models within their specific industries and to creative programs that could be adapted.

Employers benefit from family-friendly policies that help employees balance work and family obligations.

Just as higher wages and health care improve productivity and reduce turnover, so too do family-friendly policies help recruit and retain workers. For example, 74% of surveyed employers reported positive effects on staff retention as a result of flexible work policies, and more than half reported that the policies improved recruitment.²⁵

Human Resource professionals also report that family-friendly policies net higher productivity by reducing employee absences stemming from illness, child care problems, transportation difficulties, and other issues.²⁶ For example, in one employer survey, 70% reported that flexible working practices improved employee motivation.²⁷

IV. POLICIES THAT PROTECT WORKERS IN HIGH-TURNOVER SERVICE CONTRACTS (LIKE SECURITY OR JANITORIAL)

The Challenge

Building service contracts, such as for security and janitorial services, turn over frequently.

Building owners and tenants may frequently change service providers for janitorial, security, and other building services. When new contractors are chosen, it is not uncommon for an entire workforce to be fired. Even if they are rehired by the new contractor, workers often lose seniority, shift preferences, pay, and/or benefit eligibility. This is unfair to hardworking individuals and creates financial instability for families. It also creates additional costs for businesses in terms of recruitment and training, as well as reduced work quality and efficiency while new workers get up to speed.

The Opportunity

Give existing workers already performing security or janitorial services the opportunity to keep their jobs when contracts turn over.

When service contracts at the Cherokee-Gates project turn over, the successor contract should give a “right of first refusal” to satisfactorily performing, non-managerial employees of the prior contractor.

Many cities and public authorities already have worker retention policies that are successful and efficient.

Retaining qualified and trained workers is good for business because it reduces the cost of recruitment and training and provides for consistent quality. This is particularly the case in the security industry where background checks and development of familiarity with security procedures can be costly and time consuming. This is why many jurisdictions have established worker retention policies. These jurisdictions include the state of California; the cities of Philadelphia, Washington D.C., San Francisco, Los Angeles, San Jose, and New York; and numerous airport authorities including the Denver International Airport.

- ¹ Jennifer Brooks and Diana Pearce, Ph.D., *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget* (Colorado Fiscal Policy Institute: 2004).
- ² U.S. Census Bureau, *QT-P10 Households and Families: 2000*.
- ³ Piton Foundation, *Neighborhood Facts* (2000), p. 45. The numbers are based on the US Census 2000.
- ⁴ Denver Planning Board, *Plan 2000 Annual Report* (2005), p. 28.
- ⁵ US Department of Labor, *Minimum Wage Laws in the States* downloaded from <http://www.dol.gov/esa/minwage/america.htm#DC> on January 1, 2005.
- ⁶ A living wage is commonly defined as a wage or salary which allows a worker to live with at least minimal customary amenities. Although living wages do not guarantee complete self-sufficiency, they allow workers to get closer to attaining it. Living wage levels vary widely based on the original wage level adopted and whether or not the wage is indexed to rise with the cost of living. For a list of living wage ordinances, see ACORN Living Wage Resource Center, *Living Wage Wins* downloaded from <http://www.livingwagecampaign.org/index.php?id=1959> on April 29, 2005.
- ⁷ Denver Municipal Code, Title II, § 20-80. The ordinance applies only to certain contracted parking lot attendants, security guards, child care workers, or clerical support workers. The Denver Living Wage for 2005 is \$9.30/hr.
- ⁸ The Denver average wage is from U.S. Dept. of Labor, Bureau of Labor Statistics, *3rd Quarter of 2003, November 2003 Metropolitan Area Occupational Employment and Wage Estimates, Denver, CO PMSA*. The Denver retail wage is from Colorado Department of Labor and Employment, *Colorado Occupational Wages 2003, Average Hourly Wage for a Retail Salesperson*.
- ⁹ For example, see Center for Urban Studies and Labor Studies Center, *1999 Report on Impact of Detroit Living Wage Ordinance* downloaded from <http://www.laborstudies.wayne.edu/Resources/1999report.pdf> on April 29, 2005.
- ¹⁰ For example, see Sunhwa Lee, Ph.D., *Women's Work Supports, Job Retention, and Job Mobility: Child Care and Employer-Provided Health Insurance Help Women Stay on Jobs* (Institute for Women's Policy Research: November 2004).
- ¹¹ Brigitte Madrian, *Quarterly Journal of Economics*, (109) (February 1994), pg. 27-54. Also, see Sunhwa Lee, Ph.D., *Women's Work Supports, Job Retention, and Job Mobility: Child Care and Employer-Provided Health Insurance Help Women Stay on Jobs* (Institute for Women's Policy Research: November 2004).
- ¹² Ann Zimmerman, *The Wall Street Journal* (March 26, 2004).
- ¹³ Robin Hahnel, Ph.D., *The ABC's of Political Economy: A Modern Approach* (Sterling, VA: Pluto Press, 2002), pg. 241.
- ¹⁴ Colorado Department of Labor and Employment, *Colorado Areas Labor Force Data* downloaded from <http://www.coworkforce.com/lmi/ali/lfpag.asp> on April 29, 2005.
- ¹⁵ Based on data from the U.S. Census Bureau, *Current Population Survey, 2003 & 2004 Annual Social and Economic Supplement*.
- ¹⁶ Piton Foundation, *Neighborhood Facts* (2000). The numbers are based on the US Census 2000. The highest reported unemployment among African-Americans was in Overland 75%, Valverde 47.8%, and Cory-Merrill 37%. West Washington Park, University, Platt Park, Overland, Mar Lee, Cory-Merrill, College View/South Platte, Belcaro and Auraria/Lincoln Park all had Latino unemployment rates higher than the Denver Latino unemployment rate of 8.3%.
- ¹⁷ Piton Foundation, *Neighborhood Facts* (2000). The numbers are based on the US Census 2000.
- ¹⁸ U.S. Census Bureau, *DP-1. Profile of General Demographic Characteristics: 2000*.
- ¹⁹ U.S. Census Bureau, *QT-P26 Employment Status and Work Status in 1999 of Family Members: 2000*.
- ²⁰ U.S. Census Bureau, *QT-P26 Employment Status and Work Status in 1999 of Family Members: 2000*.
- ²¹ Piton Foundation, *Neighborhood Facts* (2000). The numbers are based on the US Census 2000.
- ²² Lisa Dodson, Tiffany Manuel and Ellen Bravo, *Keeping Jobs and Raising Families in Low-Income America: It Just Doesn't Work* (Radcliffe Public Policy Center and 9to5 National Association of Working Women: 2002).
- ²³ Lisa Dodson, Tiffany Manuel and Ellen Bravo, *Keeping Jobs and Raising Families in Low-Income America: It Just Doesn't Work* (Radcliffe Public Policy Center and 9to5 National Association of Working Women: 2002).
- ²⁴ Jody S. Heymann, *The Widening Gap: Why America's Working Families are in Jeopardy and What Can Be Done About it* (New York: Basic Books, 2000).
- ²⁵ Survey by the Chartered Institute of Personnel and Development, *Flexible Working: Impact and Implementation, An Employer Survey* (February 2005).
- ²⁶ The Human Resource Management (HRM) Guide Network, *Survey Shows Work-Life Balance Policies are Working* downloaded from <http://www.hrsguide.co.uk/worklife/policies-working.htm> on April 29, 2005.
- ²⁷ Survey by the Chartered Institute of Personnel and Development, *Flexible Working: Impact and Implementation, An Employer Survey* (February 2005).