

## **Proposed Living Wage Law Boon to Workers & Community, Not Disaster for Development**

The proposed living wage ordinance will increase wages and boost our local economy, using one of the only tools, and perhaps the sharpest tool, available to Milwaukee County to address the economic challenges that we face as a community.

Contrary to the customary opposition voiced by wealthy interests, as has been the case in nearly all living wage ordinance efforts by local governments across the country, a living wage ordinance for Milwaukee County will not adversely affect development. Such claims, as if repetition grants truth, never have been demonstrated to be true. In fact, real-world evidence readily can be consulted to clarify how false the wolf-crying opposition claims prove to be, and an even surface-level analysis of practical results shows how wanting their allegations really are.

Milwaukee can join many other communities with a living wage law that applies to development subsidies, and do so because of its positive impacts, not despite assertions of adverse consequences.

Consider the example of the City of Madison. In March 1999, over fourteen years ago, Madison passed a living wage ordinance virtually indistinguishable from that proposed for Milwaukee County. Madison included in their ordinance a provision that any recipient of City "financial assistance" over \$100,000 would be covered by the requirements of the ordinance. The Madison ordinance retains the same wage requirement as that proposed for Milwaukee County. The Madison ordinance includes the same recipients of financial assistance as that proposed for Milwaukee County (although the latter calls it "economic development financial assistance"). The Madison ordinance applies to successors, assignees, and transferees, as does the proposed Milwaukee County ordinance (although the latter uses slightly different wording to accomplish the same effective result).

In fact, the only two differences between the Madison ordinance and that proposed for Milwaukee County make the latter far more favorable to development. First, the proposed Milwaukee County ordinance applies only to recipients benefiting from \$1,000,000 (one million dollars) or more economic development financial assistance; in contrast the Madison ordinance threshold is \$100,000, or one tenth that proposed for Milwaukee County. Second, the proposed Milwaukee County ordinance keeps the requirements of the living wage ordinance in place for a defined period of time, set at one year for every \$100,000 in economic development financial assistance provided; in contrast, the requirements of the Madison ordinance remain in perpetuity. In addition, while not specific to "economic development financial assistance," the proposed Milwaukee County ordinance would include an exemption from coverage for enterprises with fewer than 20 employees (i.e. a "small business exemption"), something the Madison ordinance does not include.

Importantly, cities in Wisconsin play a far more active role in economic development than counties. The former may establish tax incremental financing districts to assist in a project, while the latter may not. The Madison ordinance applies to such financing for development. Madison would have had a lot more to lose in terms of its role in economic development and would have had far greater opportunity costs when establishing a living wage ordinance that applied to its development tools than Milwaukee County would, because the former had far greater tools available then and now.

In the nearly fifteen years since Madison instituted its living wage ordinance of substantially equivalent character to that of the proposed Milwaukee County ordinance, development has not been hampered. City-assisted projects have moved forward; no deals have been killed on account of living wage ordinance

requirements; and coming out of the recession, the Madison development scene has rocketed into full recovery, with hundreds of millions, even billions, of dollars of projects completed and in the pipeline. Further, three massive developments with city financing and land sales are proceeding with full knowledge of the living wage requirements. First, a nearly \$800 million mixed-use development will go forward on East Washington Avenue (which will go up across the street from a previous development completed with City financing and land sale). Second, a \$50-80 million mixed-use development will go forward at Union Corners. Third, a proposed development for a convention center hotel will go forward near Monona Terrace; the only question on that development is which firm will be awarded the deal after an intensive bidding war, and how much financial support the City will put into the project.

Clearly, the living wage ordinance in Madison that almost mirrors that proposed for Milwaukee County does not hamper development, including and especially development in which the City is itself a player. All three projects noted include land sales and City financing; all three projects are subject to the living wage ordinance. Tellingly, the three projects retain another commonality, one particularly instructive to Milwaukee County in considering a living wage ordinance and its impact on development project.

These three projects, as are virtually all major developments, are place-based. That is, they are projects formulated, initiated, and completed by virtue of the place in which they will exist. The Union Corners, the East Washington and the Monona Terrace convention center hotel developments could not be done in, say, Middleton or Sun Prairie; they were specifically developed because of the real estate and the market demands for them.

Similarly, Milwaukee County's potential land sales hinge upon place-based development. Arguably the most valuable piece of developable property in the State, the Downtown Transit Center, overlooks Lake Michigan and sits on the end of the largest commercial real estate market in the State. The Park East corridor directly abuts that same market, with access to neighborhoods, highways, and other features attractive to development. Other parcels, like that near the Bradley Center, retain these same place-based assets for the real estate market. No developments that could or would go forward on these parcels of land could be done in Brookfield or Franklin; any development on County-owned land is intimately tied to those places and their unique, highly valuable characteristics.

Comparatively little study has been conducted regarding the impact on development of living wage ordinances that touch economic development tools. However, research that has been produced demonstrates that these ordinances do not adversely affect development climates or particular developments.

One study cited by the Comptroller's office (Chicago Historic District) in their assessment of the fiscal impact of the living wage ordinance cannot be considered credible in this discussion. First, that study was released in 1991, three years before passage of the first living wage ordinance and roughly a decade before most living wage ordinances were established. Second, that study does not examine living wage ordinances or other similar "regulation" or "restrictions" on real estate. Third, that study examines land use restrictions, not wage requirements, and land use restrictions of a particular variety totally dissimilar (historic district designation); the former are wholly of a different character and significantly impact what developments may and may not proceed. Fourth, that study examines the whole of a local real estate market while a living wage ordinance, as noted above, applies very selectively to small numbers of parcels with highly place-based character. The projected impact on economic development through Milwaukee County as estimated based upon this singular study with erroneous application to the present question cannot be considered credible or legitimate.

Were living wage ordinances so restrictive on development with such tremendous adverse impacts, one would think that two realities would be present. First, researchers funded by living wage opponents would be studying this topic and producing reams of research chock full of evidence demonstrating the faulty nature of living wage laws. Judging by the lavishly-funded research conducted by opponents of living wage laws ex ante, certainly the opponents could muster the cash to perform at least one credible ex post facto study on the deleterious effects of living wage laws. To date, they have not. Perhaps this simply shows that such study would not produce the research body on which opponents of living wage laws could rely in order to argue against them on economic grounds.

Second, after two decades of living wage laws in 140 communities around the country (granted, not all include application to development subsidies), were living wage laws so detrimental to development, these cities and counties would be clamoring to repeal their ordinances. Judging by the complete lack of any counter-movement amongst opponents of living wage laws to repeal them, much less any documented success, one can only conclude that living wage laws are not in fact so deleterious that they merit repeal. More likely, these communities probably understand that attaching job quality standards to development subsidies represents a basic principle embraced by the residents of their jurisdiction: firms that benefit from public resources have a special responsibility to pay working people wages adequate to lift themselves and their families out of poverty

