

## Living wage in practice in L.A.

**City offers guide for how to grow a tax base, attract businesses and build housing, while promoting quality jobs.**

By Paul Sonn

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As the city debates the merits of a City Council proposal to extend the city's 2002 "living wage" policy to cover big development projects, it is well worth examining the real-world experiences of Los Angeles—the nation's leader in integrating a living-wage approach into city economic development strategy.

L.A. offers a nuts-and-bolts guide for how to grow a city's tax base, attract businesses and build housing, while also promoting the types of quality jobs local communities need.

L.A.'s Community Redevelopment Agency adopted its living-wage policy in 2003. At a recent City Council hearing, the agency's former deputy chief of operations testified: "The agency has found the living-wage policy to be an effective tool for ensuring that taxpayer-subsidized economic development creates quality jobs for Los Angeles' communities. CRA/LA has not found that it has inhibited new development or job growth in any way."

Los Angeles reports having 144 projects with a living-wage component, comprising roughly 1.1 million square feet of office space and 2.7 million square feet of retail space, and representing over \$8 billion in private investment. They include the Staples Center/L.A. Live sports-and-entertainment district, the Kodak Theater (host to the Academy Awards), plus numerous hotels and retail projects, including ones in low-income neighborhoods like Slauson Central.

How does it work in practice? The developer and other direct beneficiaries of city subsidies guarantee that their employees and those of on-site contractors like janitorial, security and food service companies will be paid at least the city's living wage—currently \$10.30 per hour, or \$11.55 without health benefits. Major anchor tenants like hotels are typically deemed to be direct beneficiaries and so are also covered. Smaller businesses are exempted.

For projects that include city-owned land, all tenants are covered—as in the case of the redevelopment of L.A.'s Grand Avenue district. (Ironically, the master developer that inked that deal is The Related Companies—the same megafirm that's been telling New York that a living wage isn't workable.) Finally,

in one of its farthest-reaching efforts, L.A. has extended its living wage to include all hotels that have benefited from the city's substantial investments in LAX airport.

What this means on the ground is that when L.A. subsidizes a new big-box shopping center, it asks the developer to bring in a Costco or a Trader Joe's, which typically pays higher wages than, say, a Walmart.

It makes the developer responsible for complying with the development agreement—which includes the living wage—but it does so in a practical and flexible way that has not proved to be an obstacle to moving projects forward.

While some of the details of what L.A. has done differ from the New York City Council's living-wage proposal, the central thrust is the same: asking developers on major subsidized projects to create more quality jobs for local residents. A rigged Bloomberg administration study concludes that these types of requirements will scare off developers and financing, a conclusion not borne out by L.A.'s experience. If Los Angeles can do it, why can't we?

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