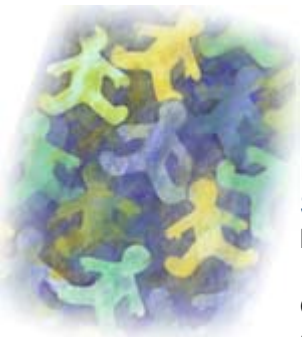


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## Perspectives on Work

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### Living Wage Jobs and Quality of Life: The Community Benefits Initiative in San Jose

By NARI RHEE

On December 10, 2002, the City Council of San Jose, California, met to vote on a \$189 million development agreement between the San Jose Redevelopment Agency (SJRA) and the CIM development group. Subsidized to the tune of \$36.3 million by the SJRA, the project consisted of mixed-use infill development intended to transform several city blocks into an upscale residential shopping and entertainment district. The development was planned with the usual handpicked, community advisory board representing a narrow cross-section of downtown interests. Such projects were usually rubber-stamped by the City Council, which formally governed the SJRA as its Board of Directors.

But this time something different happened. A labor/community coalition led by the South Bay AFL-CIO Labor Council proposed to negotiate an enforceable "Community Benefits" plan with the CIM Group. The agreement would address living-wage standards, affordable housing, childcare, and small-business concerns. The Council heard testimony from representatives of the Building and Construction Trades Council (BTC) and affiliate unions, major service-sector locals, several clergy, ACORN (Association of Community Organizations for Reform Now), neighborhood residents, and downtown small-business owners, who each expressed support for the proposal and for better and more comprehensive returns on such a large public investment. Councilmember Cindy Chavez (formerly political director of the Labor Council) summarized their demands: "When we spend the public's money, we should be meeting many goals of the city."<sup>(1)</sup>

#### A Fair Agreement

Despite vigorous opposition by the mayor and several pro-business Council members, the Community Benefits provision was approved 6-5 by the pro-labor majority that had been cultivated by organized labor during several election cycles. Over the next few months, the coalition used both "top-down" and "bottom-up" tactics to successfully negotiate an agreement with SJRA staff and the CIM Group. For example, they convinced the state's Public Employee Retirement System (a major project investor) to pressure CIM. Organizers also canvassed the downtown neighborhoods to generate letters and phone calls to the City Council and mayor. The city approved the final agreement in April 2003. In the end, CIM founder Shaul Kuba called the agreement "fair," saying, "You've got to work with people."<sup>(2)</sup>

The agreement's greatest substantive benefit is an increase in affordable apartments and condos from the original 35 units (out of a total of 509) to 115 units, the subsidies for which are being covered by the city. In addition, the developer will subsidize up to 3,000 square feet for childcare, and will spend up to \$50,000 on a small-business leasing program.

The Community Benefits plan also includes two jobs-related components. The more concrete of the two is a provision ensuring that the contractor hired to operate the new parking lot will be covered by the city's Living Wage Policy (LWP) for its contractors and lessees. The LWP currently requires \$10.31 per hour with health benefits or \$11.56 without; it also includes a labor peace provision that has enabled service-sector unions to

organize thousands of workers. The other, softer provision requires the CIM Group to attempt to negotiate wage provisions commensurate with the LWP in any lease for a supermarket, hotel, or retail establishment that includes a full-service grocery department.

### **Reforming Economic Development**

The employment-related provisions of the deal may seem limited in scope, but the CIM Community Benefits proposal was just the opening volley in larger campaign to reform how-and to what end-economic development gets done in San Jose. In the summer of 2003, the South Bay Labor Council launched the "Community Benefits Initiative" (CBI) with an even broader coalition. The CBI advisory board includes progressive elected officials, healthcare and affordable-housing advocates, academics, and representatives from the BTC, Plumbers and Steamfitters Local 393, UFCW 428, HERE Local 19, Sierra Club, Greenbelt Alliance, grassroots community groups, and faith-based organizations.

The initiative was heralded with the release of a 150-page report entitled Shared Prosperity and Inclusion: The Future of Economic Development Strategies in Silicon Valley by Working Partnerships USA, the Labor Council's nonprofit research arm. The report places economic-development policies in the context of growing labor-market inequality, income polarization and worker poverty in Silicon Valley, arguing that "shared prosperity" should be a major goal of economic-development programs. Based on a thorough analysis of SJRA activities, the report finds that the agency has focused on an "excessively narrow" conception of return on public investment that neglects quality job creation, the fiscal impact of poverty-wage service jobs (which create demand for publicly funded healthcare and human services), and the housing needs created by its economic-development activities. To compound matters, the SJRA's virtual monopoly on property taxes in the high-tech industrial "redevelopment" zones of North San Jose translates to a loss of millions of dollars for county services for poor families.

The CBI offers an alternative economic-development policy framework, which 1) gives high priority to "shared prosperity" as a policy objective, 2) formalizes a process for evaluating returns on public investment, and 3) institutionalizes participation by a broad array of community stakeholders. The initiative would be executed through two measures. The first is the completion of a Community Impact Report for each new large-scale development project receiving public subsidies. This would allow city officials and the public to evaluate such projects in terms of their potential impact in six areas: employment, housing, public-sector finance, smart growth design, environmental quality, and neighborhood services. The second phase entails the negotiation of a binding Community Benefits Agreement by community representatives, developers and policymakers.

The CBI has been hotly debated in San Jose and has spurred fervent opposition from the Chamber of Commerce and the San Jose Mercury News. The Mercury has issued several editorials denouncing it as a "job-killer" and urging the mayor to quash the measure. Taking advantage of the recession, downtown business interests and the mayor formed a counterproposal to evaluate the city's economic-development policies in terms of more traditional concerns, which center on promoting a friendly "business climate." Mayor Ron Gonzales even proposed a six-month moratorium on all new city regulations not related to public safety, but was forced to backed down rather than lose in a City Council vote. Despite this opposition, the CBI is currently on track thanks to support from a broad coalition of interests, and the South Bay Labor Council anticipates a City Council vote in September 2004.

### **A "Working Families" Agenda**

This series of events marks a positive change in the role of organized labor's role in urban economic development. Until several years ago, San Jose unions had been an integral part of the downtown growth machine, owing largely to the powerful Building Trades Council's stake in the construction jobs created by redevelopment. But the regional labor movement has shifted to broader "working families" agenda under the leadership of Amy Dean (who served as head the South Bay Labor Council from 1994 to July 2003) and her successor Phaedra Ellis-Lamkins, with the Executive Board's support. By building alliances with a wide array of community stakeholders, the Labor Council has been able to advance an increasingly ambitious series of living-wage, affordable-housing, and healthcare policies in the city and county.

Given the severe limitations on city and county general funds, and the increasingly large streams of funding being allocated for economic development, CBI constitutes a logical effort to find new resources to leverage quality jobs and meet social needs. But the Labor Council would not have been able to target the powerful SJRA without the support of the BTC. Neil Struthers, elected head of the BTC in 2003, observes, "If the trades had been opposed we could have divided labor and stopped [CBI]. But that would work against everything we stand for." New leadership loosened up the building trades' traditional alliance with developers on growth issues and redevelopment. Struthers garnered the trades' support for CBI based on the recognition that they stand to benefit

from a greater emphasis on quality contractors in publicly subsidized development and from positive relationships with environmental and community groups.

The CBI campaign is part of a process that Dean has often described as "positioning labor as a legitimate steward of the economy." The labor/community alliance behind CBI has been able to effectively counter downtown boosters' calls to "improve the city's business climate" with a forward-thinking analysis of the role that local economic-development policies can play, not just in competing for investment, but also in actively shaping the labor market and income distribution to mitigate the vagaries of the globalizing economy. "The days when [the Valley] could compete on the basis of low wages are long over," asserts Chavez; "We recognized that the economy was shifting, and we knew in Working Partnerships that ... we had to be thinking very entrepreneurially about how we protected the quality of life while this was going on." This combination of rigorous analysis, broad internal support, community allies, and electoral successes allows the South Bay labor movement to take the initiative on traditionally business-led policy domains such as economic development in order to improve the quality of life for working families.

#### **Notes**

1. Kurtzman, L. "City Center Project OK'd," San Jose Mercury News, December 11, 2002, p. 1A.
2. Folmar, K. "Accord Expected on S.J. Project," San Jose Mercury News, March 27, 2003, p. 1B.



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