

# **Community Benefits Agreements: Making Development Projects Accountable**

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## **Good Jobs First**

Good Jobs First is a national resource center promoting corporate and government accountability in economic development. GJF provides research, training, model publications, consulting, and testimony to grassroots groups and public officials seeking to ensure that subsidized businesses provide family-wage jobs and other effective results. Good Jobs First is also active in the smart growth movement, bringing development subsidies and labor unions into the suburban sprawl/smart growth debate.

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## **California Public Subsidies Project**

The California Public Subsidies Project (CPSP) is a coordinated program designed to reform the economic development practices of governments and government agencies in four major regions of California. It seeks to assist local organizations and grassroots movements to evaluate and intervene in projects that receive significant public subsidies from the perspective of community needs and priorities.

In addition to the community benefits negotiation strategy described in this report, CPSP is developing the Community Benefits Assessment, a tool that can be used by community groups and/or government agencies to standardize the process of evaluating real estate developments. The Community Benefits Assessment establishes indicators for critical public needs, including living wage jobs, affordable housing, and subsidized child care. The Assessment measures the effect of a development on these indicators in relationship to quantitative standards of community well-being. Following this analysis, modifications of the proposed development can be initiated through CBA negotiations, thereby providing the public an improved return on its subsidy investment.

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## Preface

**Community Benefit Agreements (CBAs) – project-specific contracts between developers and community organizations – are safeguards to ensure that local community residents share in the benefits of major developments. They allow community groups to have a voice in shaping a project, to press for community benefits that are tailored to their particular needs, and to enforce developer’s promises.**

**CBAs are critical because of the current “back to the city” movement. For the first time in decades, many large U.S. cities are experiencing population growth. Sports stadiums, entertainment arenas, hotels, office parks, “big box” retail outlets, upscale residential projects and other such developments are occurring much more often now in already-inhabited areas. These projects offer tremendous opportunities for low-and moderate-income neighborhood residents, but hold tremendous risks as well.**

**While many of these projects are bringing sorely-needed jobs and tax revenues back to areas that have been disinvested, there is usually no guarantee that the “ripple effects” of the projects will benefit those residents who need them most. CBAs give a role in the process to community residents, and help ensure that the people who remained loyal to the cities during the darkest years share in the benefits as urban areas are rediscovered.**

**Developers of these large projects have a particular social responsibility, not only because they are moving into existing communities, but also because taxpayer dollars subsidize their projects. Large redevelopment projects almost always benefit from subsidies such as land parceling through eminent domain, new streets and other infrastructure, property tax reductions or abatements, tax increment financing, and industrial revenue bonds or other loans. To learn more about such subsidies, see Good Jobs First’s research manual, *No More Secret Candy Store*.**

**This monograph is intended to help community groups learn how CBAs work, and to explain many of the different kinds of benefits for which community groups can negotiate. As you will see, there is now a variety of precedents, and we hope that groups will be inspired by these examples to continue to push the envelope.**

**A community group’s ability to win a CBA is directly related to how much power it has organized. For neighborhood organizations using this monograph, we assume that you have an organized power base built upon foundations such as block clubs, church-based committees, and/or labor unions. Nothing in this monograph takes the**

place of organizing, and having a great CBA proposal will get you nowhere unless people are organized.

Ideally, CBAs or baseline community benefits will become a required part of every publicly-subsidized development project. Until that time, however, we will have to keep organizing. If you have examples of additional kinds of benefits – or other agreements for the kinds of benefits outlined here – we'd like to hear from you.

**Greg LeRoy**  
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**Madeline Janis-Aparicio**  
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## Introduction and Acknowledgments

This publication was initiated by Good Jobs First with Julian Gross and the Los Angeles Alliance for a New Economy. It was subsequently joined by the three additional California groups that, along with LAANE, comprise the California Public Subsidies Project.

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## Chapter One: CBA Basics

### What is a Community Benefits Agreement?

A Community Benefits Agreement, or “CBA,” is a legally enforceable contract, signed by community groups and by a developer, setting forth a range of community benefits that the developer agrees to provide as part of a development project.

A CBA is the result of a negotiation process between the developer and organized representatives of affected communities, in which the developer agrees to shape the development in a certain way or to provide specified community benefits. In exchange, the community group promises to support the proposed project before government bodies that provide the necessary permits and subsidies. The CBA is both a process to work towards these mutually beneficial objectives, and a mechanism to enforce both sides’ promises.

### How Does a CBA Relate to a Development Agreement?

A development agreement is a contract between a developer and a city or county, outlining the subsidies that the local government will provide to the project. Development agreements go by different legal terms in different contexts. Redevelopment agencies usually sign “disposition and development agreements” when they sell land to developers; many cities call them “incentive agreements.” The term “development agreement” broadly describes all such contracts. Depending on local practice, development agreements may contain detailed information about the developer’s plans for the project and the subsidies the project will receive.

We strongly recommend that a CBA be incorporated into any development agreement for a project, so that the CBA becomes enforceable by the government entity that is subsidizing the development. Whether or not that occurs, a CBA should remain a separate, enforceable agreement between the developer and the community groups.

Some projects receive a public subsidy without any development agreement; this is often the case when a project receives a tax abatement but no other subsidies. In such cases community benefits will have to be set forth in a CBA if they are set forth anywhere.

## **When is a CBA Negotiated?**

**A CBA is negotiated between the community groups and the developer *before* the development agreement is executed by the developer and government. The development agreement negotiations may be going on while the CBA is also being negotiated, but the CBA needs to be finalized first. Project construction comes last, only after there is a development agreement.**

## **What is the Developer's Self-Interest in CBA Negotiations?**

**Developers use CBAs to help get government approval for their development agreements. In exchange for providing community benefits, developers get community support for their projects. They need that support because they want their projects subsidized, and because virtually all development projects require a wide range of governmental permit approvals, such as building permits, re-zoning and environmental impact statements. Permit approvals almost always have some kind of public approval process, as do most development subsidies. For many projects, the degree of community support or opposition will determine whether the developer will receive the requested approvals and subsidies.**

## **What Kinds of Community Benefits Can CBAs Include?**

**Benefits provided by a CBA can vary as widely as the needs of affected communities. Community groups should be creative in advocating for benefits tailored to their own needs. Each particular CBA will depend on the community's needs, the size and type of the proposed development, and the relative bargaining power of the community groups and the developer.**

**Benefits contained in a CBA may be provided by the developer or by other parties benefitting from the development subsidies, such as the stores that rent space in a subsidized retail development. Some benefits can be built into the project itself, such as the inclusion of a child care center in the project, or the use of environmentally sensitive design elements such as white roofs that help avoid the "heat island" effect. Some benefits will affect project operations, such as wage requirements or traffic management rules. Other benefits will be completely separate from the project, such as money devoted to a public art fund, or support for existing job-training centers.**

Benefits that have been negotiated as part of CBAs include:

- a living wage requirement for workers employed in the development;
- a “first source” hiring system, to target job opportunities in the development to residents of low-income neighborhoods;
- space for a neighborhood-serving child-care center;
- construction of parks and recreational facilities;
- community input in selection of tenants of the development;
- construction of affordable housing.

Later chapters of this monograph contain more detail on these benefits.

If community organizations are unable to negotiate what they want on a particular issue, they may instead negotiate a *process* to help achieve the same outcome at a later date. “Sunshine” or disclosure requirements are a good example of this. Even if a developer will not agree to require tenants to pay a living wage, he may agree to require tenants to report their wage levels. This information can later be used in living wage campaigns. Creativity and flexibility in the negotiation process will be well rewarded.

### Who Negotiates a CBA?

CBAs are negotiated between leaders of community groups and the developer, prior to governmental approval of the project. Sometimes a government agency will play an active role in CBA negotiations.

*Community-based organizations and labor unions* press for CBAs containing strong community benefits. Community-based organizations involved in CBA negotiations are formed by concerned citizens; they may be built upon traditional community organizing structures such as block clubs or church-based groups. These groups may coalesce with living wage campaigns, or with individual labor unions and/or with metro labor federations called central labor councils. Sometimes a coalition including many groups will form around a particular proposed development. In other situations, existing networks will take the lead. In either case, community groups and labor unions will need to appoint a steering committee or negotiating team of workable size to conduct negotiations with the developer.

*The developer* will usually negotiate with community representatives to the extent he thinks he needs community support to move the project forward. A representative from the developer, or the developer’s attorney, will conduct negotiations on his behalf.

*Government staff* may or may not be involved in the CBA negotiations. While government staff and attorneys are busy negotiating the development agreement for the project, they are sometimes content to leave to the community representatives the task of negotiating the CBA.

*Attorneys* will have to become involved at some point, since CBAs are enforceable contracts, with real legal consequences for both the developer and the community groups. Ideally, the neighborhood organizations will start the negotiations directly with the developer, and attorneys for both sides are brought in to formalize the contract after an agreement has been reached. In such cases the role of the attorneys is simply to memorialize, in a legally enforceable manner, the substance of the agreement. However, one side or the other may wish to have an attorney help conduct its part of the substantive negotiations. If the developer negotiates through an attorney, community groups should probably negotiate through one as well.

**How is a CBA Enforced?**

How a CBA is enforced depends on who signed it and what enforcement provisions it contains. As a CBA is a legally binding contract, it can only be enforced by a party that has signed it. CBAs that are incorporated into development agreements can be enforced by the government, as well as by community groups.

All CBAs should contain carefully-drafted provisions describing how commitments will be monitored and enforced. We provide more detail on this issue in Chapter Seven.

**How are CBAs implemented?**

How a particular CBA is implemented depends on the benefits being provided. Some benefits require ongoing implementation by several entities. A local-hiring program, for example, may require employers to send notice of job opportunities and to interview certain candidates, while job training centers match applicants with available jobs and make prompt referrals. Many community benefits require ongoing communication between community groups and the developer for a period of years after the opening of the development.

On the other hand, some CBA responsibilities can be fulfilled well before the development opens, like a developer's one-time payment into an existing neighborhood improvement fund. Roles, responsibilities, and time frames should be clearly described in the CBA.

## **Don't Most Development Projects Provide Local Benefits Without a CBA?**

**Most developments provide *some* benefit to the surrounding communities, in the form of jobs, housing, or retail opportunities. This is never the complete story, however. There are many other questions about virtually any development:**

- Are the development's benefits substantial enough to justify the public subsidy?**
- Do the benefits outweigh the costs, such as dislocation of homes and businesses, cannibalization of sales from existing retailers, increased vehicle traffic, and/or gentrification pressures?**
- Does the development sufficiently cushion the blow to those who will suffer the direct negative impacts of the development?**
- Does the development have an appropriate character and scale for the surrounding neighborhood?**
- Are the promised benefits reasonably certain to materialize? For example, if the development promises jobs for residents of affected communities, is it clear that jobs will actually go to these residents?**
- Will jobs created pay enough that the government won't have to subsidize the employees' wages and benefits?**

**If the answer to any of these questions is negative or unclear, community groups are right to have concerns about a proposed project, even when they believe it would provide some concrete benefits. The CBA negotiation process is a mechanism for community groups to shape the development and capture more community benefits, hopefully leading to a better project with stronger community support.**

### **Example: The “Staples Deal”**

**In May of 2001, a broad coalition of labor and community-based organizations – the Figueroa Corridor Coalition for Economic Justice – negotiated a comprehensive CBA for the Los Angeles Sports and Entertainment District development, a large multipurpose project that will include a hotel, a 7,000-seat theater, a convention center expansion, a housing complex, and plazas for entertainment, restaurant, and retail businesses. Public subsidies for the project may run as high as \$70 million.**

**The CBA is often referred to as the “Staples CBA” because the project is located adjacent to the Staples Center sports arena, which was developed by the same company.**

**The Staples CBA is a tremendous achievement in several respects. It includes an unprecedented array of community benefits, including:**

- a developer-funded assessment of community park & recreation needs, and a \$1 million commitment toward meeting those needs;**
- a goal that 70% of the jobs created in the project will pay the City’s living wage, and consultation with the coalition on selection of tenants;**
- a first source hiring program targeting job opportunities to low-income individuals and those displaced by the project;**
- increased affordable housing requirements in the housing component of the project, and a commitment of seed money for other affordable housing projects;**
- developer funding for a residential parking program for surrounding neighborhoods; and**
- standards for responsible contracting and leasing decisions by the developer.**

**These many benefits reflect the very broad coalition that worked together to negotiate the CBA. The coalition, led in negotiations by Strategic Actions for a Just Economy, LAANE, and Coalition L.A., included over thirty different community groups and labor unions, plus hundreds of affected individuals. These successful negotiations demonstrate the power community groups possess when they work cooperatively and support each other’s agendas.**

**The Staples CBA is included in its entirety as Appendix A. A Los Angeles Times**

## Chapter Two: CBA Pros and Cons

### Benefits of CBAs

Any development project of significant size has to go through a complex governmental approval process. As a proposed project moves through this process, government officials and community groups may request that the project provide particular community benefits, or that the project be tailored to the needs of the community in a certain way. This happens with many development projects, even where there is no formal CBA.

CBAs can greatly improve this approval process by promoting the following values:

- ***Inclusiveness.*** The CBA negotiation process provides a mechanism to ensure that community concerns are heard and addressed. While some cities do a good job of seeking community input and responding to it, many do not. Low-income neighborhoods, non-English-speaking areas, and communities of color have historically been excluded from the development process. Laws concerning public notice and participation are poorly-enforced, and official public hearings are held at times and places that are not neighborhood-friendly. Having a CBA negotiation process helps to address these problems, providing a voice for all parts of an affected community.
- ***Enforceability.*** CBAs ensure that the developer's promises regarding community benefits are legally enforceable. Developers "pitching" a project often make promises that are never written into the development agreement, or are never enforced even if they are included. This is especially true of promises about jobs being created for local residents. CBAs commit developers in writing to promises they make regarding their projects, and make enforcement much easier.
- ***Transparency.*** CBAs help the public, community groups, government officials, and the news media monitor a project's outcome. Having all the benefits set forth in one place allows everyone to understand and assess the specific commitments made by a developer. They can then compare those benefits to benefits provided in similar projects in the past. They can also compare benefits offered by developers who are competing for the right to build on a particular piece of land. Transparency is an undeniable good-government value.

- ***Coalition-Building.*** The process of negotiating a CBA encourages new alliances among community groups that may care about different issues or have different constituencies. This is critical because developers often use a “divide and conquer” strategy when dealing with community groups, making just enough accommodation to gain the support of one group, while ignoring the concerns of others. (Sometimes this accommodation is seen as little more than a monetary payoff to a single group.) The developer can then claim that there is some community support for the project, and obtain necessary government approvals, even though most community issues have not been addressed. Similarly, a developer may agree to build a project with union construction labor while ignoring the concerns of those unions whose members will fill the project’s permanent jobs, and then claim the project has “labor’s support.” By addressing many issues and encouraging broad coalitions, the CBA process helps counter these divide-and-conquer ploys.
- ***Efficiency.*** CBAs encourage early negotiation between developers and the community, avoiding delays in the approval process. Without a CBA process, community groups usually express their concerns at public hearings, when the project is up for government approvals. At that point there are three possible outcomes. First, the government can approve the project over neighborhood objections, leaving residents unhappy and leading to a project that fails to address some community needs. Second, the government can reject the project completely, leaving the developer unhappy and the community without whatever benefits the project might have provided. Third, the government can delay the project until the controversial issues have been resolved. That leaves the developer unhappy because time is money, and it delays the community benefits just as it delays the whole project. It also puts the community groups and the developer in roughly the same place they would have been in had they started negotiating over community benefits at the outset. CBA negotiations avoid all three of these unsatisfactory scenarios by leading to a cooperative relationship between normally adversarial parties and fostering developments that are better tailored to community needs.

#### Difficulties and Potential Problems of CBAs

- ***One’s person’s floor is another person’s ceiling.*** If developers are looking at the CBAs from past projects, they may not want to provide greater benefits than those provided in past projects. Community groups want to use past commitments as a “floor,” but developers will want to use them as a “ceiling.”

- ***Inadequate organizing could set poor precedents.*** If neighborhood organizations are poorly organized and therefore have little leverage over developers and governmental agencies in a particular situation, seeking a CBA will not help and could result in a poor precedent being set for future projects. CBA negotiations cannot be effective without a certain amount of leverage or working political capital. Of course, if the CBA negotiation process becomes routine in certain cities, then it should increase leverage for community groups generally. In addition, the coalition-building aspect of the CBA negotiation process should increase community leverage.
- ***Legal expenses.*** Setting forth community benefits in an enforceable legal document will usually require community groups to employ an attorney. We strongly recommend that neighborhood groups have their own attorney; relying on government attorneys and staff members to produce the language is not effective. Developers will generally have attorneys as well. While the community groups may conduct the negotiations, it is valuable, if not essential, to have the fine print of the CBA finalized by a trusted attorney, to make sure the contract reflects both the substance and spirit of the negotiations. While retaining an experienced attorney is the best option, community groups that lack the money to do so may seek *pro bono* help through legal assistance clinics, or by a referral from the National Lawyers Guild (go to [www.nlg.org](http://www.nlg.org) for a directory of chapters).
- ***Coalition politics.*** Of course, building and maintaining coalitions is difficult, especially if the developer is seeking to peel off some groups. All of the basic structural issues about coalitions have to be resolved: Who is in the coalition? How are decisions made? Who is on the negotiating team? How are competing concerns prioritized?

Despite all of the difficulties and pitfalls, we feel that the benefits of a CBA far outweigh the risks. If groups organize well, stick together and win a good CBA, they will probably set valuable precedents and make future campaigns in their city much easier.

**An Understandable Concern: “This is new to us. We don’t do this type of thing.”**

**CBA**s raise complex issues for community-based organizations. Some community groups may be uncomfortable giving up the right to express negative opinions on a public matter like a development project. Many are not used to entering into complex legal agreements with powerful developers.

In light of these concerns, community groups may be tempted to simply advocate for inclusion of community benefits in a project’s development agreement, rather than negotiating a deal directly with the developer. This approach enables community groups to avoid the legal complexities and responsibilities of signing a CBA. If community groups genuinely trust the developer to provide the benefits as described, or if they trust the government to enforce the CBA as part of the development agreement, then this approach is simpler and makes sense.

However, there are serious risks to this approach, and important comparative benefits to a CBA. First, and most important, a CBA allows the community organizations that sign it to enforce the developer’s commitments. They do not need to rely on the government to hold the developer to his promises. Government enforcement of community benefits is notoriously lax, and – no matter how committed the developer and city staffers seem – there is always a risk that promised community benefits will not materialize.

Second, a developer may be willing to provide better community benefits in exchange for a legally binding commitment of support from community groups, because he may feel more confident of the project’s success thanks to that community support. This is the basic negotiating principle that parties are willing to give more in order to get more.

Third, there is a symbolic benefit to having community groups and the developer sign a CBA. The signing validates and makes concrete the months of negotiations and hard work, and makes the development more likely to be successful and embraced by the community. When negotiations are leading toward an agreement that both sides will sign, there is an assurance that both sides take the negotiations seriously. Developers will have to treat their commitments as binding when they know community groups can enforce them; and community leaders will have to be willing to stand by their own commitments when they are signing a binding legal document. The goal of having a CBA is to provide a directed, serious framework where both sides can genuinely buy into the process.

In addition, while some community groups are understandably reluctant about making a legal commitment to refrain from opposing a development, they may have to make at least an implicit commitment in this regard even if they do not sign a

**CBA. That's because the main reason the developer is negotiating a CBA with community groups is to avoid community opposition. If community groups are not willing to refrain from opposing the project during the approval process, they have little to offer a developer. For this reason, even if negotiated community benefits are only going to be incorporated into the development agreement (and not into a CBA), the developer will rightly expect that community groups with whom it reached an agreement will not oppose the project.**

**Community-based organizations will quickly lose credibility if they negotiate an increase in a project's community benefits and then turn around and oppose the project. If community groups are seen by developers and by government officials as prone to renegeing on their end of a deal – even only a “handshake” deal – it will impede the ability of other neighborhood groups to negotiate with developers in the future.**

**In sum, community groups are right to think carefully about their commitments before entering into a CBA – but the potential benefits are great. A community group should not sign a CBA unless (1) it believes that offering its public support in exchange for the negotiated community benefits is a good trade-off; and (2) it understands its commitments under the CBA and is willing and able to abide by them. If those conditions are met, having a CBA can greatly increase the quality and certainty of a project's community benefits.**

## Tips From the Advocates

Advocates who have been involved in CBA negotiations raise several points of importance.

During negotiations:

- ***Ensure adequate issue training and leadership development.*** Because coalition members are interested and experienced in different issues, it may take time and focused effort to get everybody working together on a shared agenda. While in negotiations, it's important for community leaders to be versatile enough to back each other up, especially since the developer will be resistant to particular requests. Because there may be so many issues involved in the negotiations, coalition members need to educate each other on their various priorities. Issue trainings can help, and openness and communication are a prerequisite.
- ***Include advisors and observers.*** While the negotiating team needs to be small, individuals with special expertise can sit in on negotiations as “observers,” and can advise and educate team members on technical issues like certain environmental concerns. Even without active participation in the negotiations themselves, such advisors can play an important and active role in strategy sessions.

After a CBA is complete:

- ***Involve coalition members in monitoring.*** Coalition members can be the eyes and ears of the community once the project is moving forward. Observations of coalition members can be more revealing than any required reports from tenants or the developer.
- ***Spread the word.*** Nothing is more effective in encouraging new organizing efforts than hearing from organizers who have succeeded in the past. Coalition members who have been part of successful CBA negotiations can be instrumental in spreading the word to other communities. Sharing of experiences and lessons learned can help build a knowledge and power base across various communities – and can help inspire and build effective campaigns.

## Chapter Three: Living Wage Programs

The living wage movement has enjoyed widespread success in the last few years; as of May 2002, at least 82 jurisdictions<sup>1</sup> have enacted living wage policies. Recognizing that taxpayer dollars are often going to employers that pay wages below the family poverty line, these jurisdictions have required certain employers to pay a higher hourly wage rate. Sometimes the rate is indexed to the federal poverty line or a similar index; some are indexed to go up with the cost of living. Current living wage levels range from about \$7.00 per hour, up to more than \$12.00 per hour required of some large employers in Santa Monica and Santa Cruz, California.

In addition to wage requirements, many living wage policies incorporate other employment-related benefits as well. Many living wage policies encourage employers to provide health insurance to their workers by requiring them to pay a higher wage if they do not do so. Some policies require employers to provide a certain number of paid and/or unpaid days off. Some impose limitations on hours worked, or require employers to notify certain workers about eligibility for the federal Earned Income Tax Credit.

Almost all living wage policies apply to businesses receiving government contracts – *i.e.*, businesses performing privatized government services. In addition, at least 66 jurisdictions apply “job quality standards” to companies that receive economic development subsidies.<sup>2</sup> And two California cities, Berkeley and Santa Monica, have applied the principle geographically by enacting living wage policies that cover businesses in particular city districts.

The dramatic success of the living wage movement over the last eight years is a testament to the tremendous effectiveness of determined organizing campaigns employed in city after city. The idea that government contracts should not be subsidizing poverty-level wages is clearly resonating. And the living wage movement squares with the essential justification of government spending on economic development subsidies: that the subsidies will improve the economic well-being of citizens. Indeed, three-fourths of the job quality standards attached to development

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<sup>1</sup> ACORN’s [www.livingwagecampaign.org](http://www.livingwagecampaign.org) website maintains an updated national list of living wage victories.

<sup>2</sup> *The Policy Shift To Good Jobs: Cities, States and Counties Attaching Job Quality Standards to Development Subsidies*,” by Good Jobs First – available at [www.goodjobsfirst.org/policyshift.htm](http://www.goodjobsfirst.org/policyshift.htm) – is the only national compilation of such requirements.

subsidies have been established in the absence of grassroots organizing activity, suggesting that living wage arguments are influencing a very wide range of public officials.

### **Resources on Living Wage Programs and the Living Wage Movement**

- Economic Policy Institute, Living Wage Issue Guide, [www.epinet.org](http://www.epinet.org)
- LAANE, Living Wage Technical Assistance Program, [www.LAANE.org](http://www.LAANE.org)
- ACORN, Living Wage Resource Center, [www.livingwagecampaign.org](http://www.livingwagecampaign.org)
- Good Jobs First, Best Practices, [www.goodjobsfirst.org](http://www.goodjobsfirst.org)
- PolicyLink, Equitable Development Toolkit, [www.policylink.org](http://www.policylink.org)
  
- NOT the employer-funded Employment Policies Institute's anti-living wage sites, [www.livingwage.org](http://www.livingwage.org) and [www.livingwage.com](http://www.livingwage.com)

### **The Impact of Existing Living Wage Policies on CBA Negotiations**

If a proposed development is located in a jurisdiction that has a living wage policy, that policy may affect CBA negotiations several ways:

- The local living wage policy covers all employers in the development. A few cities have living wage policies that cover not just city contractors, and not just direct recipients of subsidies, but also those who indirectly benefit from subsidies or lease space in a subsidized project. San Francisco, Oakland, and Toledo, Ohio, have living wage policies that go beyond the direct recipients to cover employers in many subsidized projects.

In such cases, most or all of the jobs in a proposed development project will be covered by the city's living wage provisions. This is an ideal situation: living wage requirements should become part of the project automatically, and community groups can concentrate their energy and political capital on other aspects of the project.

- The local living wage policy covers the direct recipient of the public subsidy, but no other employers in the development. Most living wage policies that cover subsidy recipients only cover the entity that actually

receives the subsidy – in a typical non-manufacturing or non-headquarters project, that means a developer. Indirect beneficiaries, such as businesses that lease space from a developer, are not covered. While coverage of the developer is a good thing in principle, the developer may have very few employees working on the project, and most of them are likely paid a living wage already. In the typical development project, most of the employment is going to be by tenants of the developer – jobs that most living wage policies do not cover. Review local living wage laws carefully to determine the scope of coverage with regard to indirect beneficiaries of subsidies.

Occasionally there are development projects for which most of the employment is by the entity receiving the public subsidy. In such cases this type of living wage policy will apply, and community groups can concentrate on other issues. This distinction underscores the need for community groups to research and understand the precise nature of the proposed development scheme and public subsidy.

- The local living wage policy simply covers government contractors. Many cities have living wage policies that apply only to businesses receiving city contracts. These policies will not apply to development projects except in very unusual cases. They can, however, support arguments for a living wage on a particular project: once a city has decided that living wages should be paid when it spends money through contracts, requiring living wages when it spends money through development subsidies is a logical next step.

### Living Wage Negotiations When There is No Local Living Wage Policy

When the local government does not have a living wage policy applicable to all or part of a proposed development, community groups can still advocate for living wages as part of a CBA for the project. When a proposed development project will create a large number of jobs – and particularly when a project is being promoted based on the new employment opportunities – community representatives should always consider pressing for living wage requirements. Indeed, the wage levels of jobs that come into a community will often be the issue that motivates community groups to seek a CBA in the first place.

### Payment of Living Wages by the Developer and Its Contractors

Community groups in CBA negotiations may convince the developer to pay living wages to its employees on the project. Although the developer may have very few employees (such as property management office staffers), this commitment has symbolic importance, as the developer is receiving a public subsidy.

Besides tenants, the developer also has control over its relationships with contractors who will create permanent jobs at the site such as custodial services and security services. The developer may agree to require such contractors to pay living wages to their employees. Because the total amount of money involved is not great and such services are competitive, the developer may well be open to this idea. This can provide a concrete benefit to many low-wage workers involved with the project.

### **What About Wages for Construction of the Development?**

Living wages are rarely an issue with regard to construction jobs. Most publicly-subsidized projects are subject to the federal “Davis-Bacon” law and/or similar state laws requiring that construction workers be paid the “prevailing wage” for the area. Prevailing wages vary by trade, and are set through a complex formula. Since prevailing construction wages are invariably higher than living wages, the living wage is normally a non-issue for such jobs.

In any large development for which prevailing wage laws do not apply, the local building trades will likely negotiate over the wages and other conditions for construction work on the project. These negotiations are generally independent from community groups’ negotiations over other community benefits. Since most construction wages are higher than all but the most generous living wage levels, living wages will only rarely be an issue with regard to construction jobs.

Regardless, many factors besides wage levels affect the quality of construction jobs; safety, benefits, job assignments, and many other working conditions determine whether a construction job is a quality job. Communities should try to ensure that out-of-region contractors don’t lowball bids by bringing in workers from lower-wage areas under poor job conditions. Please see Chapter Six for more information on employment and contracting issues regarding construction jobs.

## **A Tougher Issue: Payment of Living Wages By Tenants**

**When community groups ask for the application of living wage requirements to a development's tenants – such as large retail stores and hotels – negotiations over living wages often break down. Take a typical retail development project, where the developer plans to buy land, build a structure, and lease space to several retailers. Community groups will naturally focus their living wage efforts on the retail tenants' employees, since these tenants will provide the vast majority of the project's permanent jobs – and retail jobs are notorious for providing low pay, part-time hours, and no health benefits.**

**However, since CBA negotiations generally occur prior to the developer's acquisition of the land, this issue will have to be resolved before the developer lines up his tenants. If the developer has yet to recruit and negotiate with potential tenants, he will be very reluctant to agree to require tenants to pay living wages. Some potential tenants may refuse to lease space under such a requirement, or they may demand lower rent as compensation. These plausible scenarios are a serious concern for the developer, as rent payments are the developer's regular income from the project.**

**These risks are hard for the developer to quantify, and they directly affect the developer's bottom line for the project. For these reasons, developers may strongly resist application of living wage requirements to tenants. Nonetheless, community groups should push hard on this issue, as wage levels go to the basic economic benefit the project will provide.**

**The arguments for applying living wages to tenants are strong. A development project in a low-income community cannot provide an economic boost to that community if workers land in poverty-wage jobs without health benefits, leaving families dependent on government assistance for basic necessities.**

**In addition, retail tenants in a subsidized development project benefit from the public subsidy just as the developer does. The development would not exist without the public subsidies, leaving the tenants to scramble for an unsubsidized private location. Those who will make the most money from the project – developers and retail tenants – should share whatever added costs a living wage requirement creates. The purpose of an economic development subsidy is not to create poverty-level jobs. It is to build an economic base in the community, and jobs with poverty-level wages don't do that.**

**Regardless, there is substantial evidence that the costs to employers of paying living wages are much less than one might suspect. Companies that pay higher wages have lower employee turnover, which increases productivity and reduces training and**

recruitment costs. One study found that employers' costs from turnover are at least 150% of the employees' base salary.<sup>3</sup> In addition, some costs of higher wages are either absorbed by the employer or passed on to consumers. In general, studies find that the overall cost to employers of paying a living wage is minimal.<sup>4</sup>

Even if none of these offsetting cost factors occurred, the employer expense of a living wage are far from overwhelming. A large retail store employing 20 full-time workers required to raise wages \$2 per hour, would incur only \$83,200 per year in increased wage costs<sup>5</sup> – hardly a backbreaking figure for a store large enough to have 20 full-time employees, and likely grossing millions of dollars per year in sales. Asking the developer and the tenants to share this cost – after both have benefitted from public subsidies that may run to the tens of millions of dollars – is a reasonable step to ensure that the jobs created are jobs worth having.

#### What to Do If The Developer Won't Agree to Require Tenants To Pay Living Wages

Community groups may find that a developer simply will not agree to impose living wage requirements on prospective tenants, no matter how hard the issue is pressed. At that point, community groups must decide if this issue is a “deal-breaker” – meaning that they will pull out of CBA negotiations and oppose the project altogether.

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<sup>3</sup>Bliss and Associates and Gately Consulting, 1999, <http://laborstudies.wayne.edu/report.pdf>.

<sup>4</sup>See, e.g., Center for Urban Studies and Labor Studies Center, 1999 report on impact of Detroit living wage ordinance, <http://laborstudies.wayne.edu/report.pdf>.

<sup>5</sup>Two dollars per hour times 20 workers times 40 hours per week times 52 weeks per year equals \$83,200.

If community groups don't want to go that route, either because they still support the project or because they believe that the project is likely to go forward anyway, there are several compromises they can propose. These approaches fall short of a strict living wage requirement on all tenants, but they may nonetheless increase wage levels in the project, especially if used in combination.

- **Disclosure requirements for the developer and tenants.** CBAs can require the developer and tenants to provide annual or biannual reports on wages paid at the development, and the percentage of jobs for which benefits are provided.
- **Meeting requirements for the developer and tenants.** CBAs can require the developer to meet with community groups to discuss wage levels of major tenants, prior to leases being signed. CBAs can also require prospective tenants to attend such meetings so that they can provide information on likely wage levels, get informed of the project's living wage goal (if any), and learn of any programs designed to assist employers in paying living wages or providing benefits.
- **Living wage goals.** Even if a developer will not guarantee that all jobs at a development will be living wage jobs, it may commit to making efforts to maximize the number of living wage jobs. The developer might be required to "make all reasonable efforts to maximize the number of living wage jobs in the project," or to consider whether a business pays living wages as a "substantial factor" in choosing tenants.

Because such requirements are difficult if not impossible to enforce, they should generally be supplemented with a "living wage goal" for the project. Several CBAs include living wage goals of 70 or 75%. Whether a project has attained the living wage goal can be monitored through required reports and meetings.

What happens if the goal is not met? Different CBAs have approached this issue in different ways. Some have required the developer to pay a monetary penalty; such a penalty must be substantial enough that it provides a real incentive for developers to achieve the goal. Alternatively, a CBA can require the developer to provide public explanations for failing to meet the goal, explain in a public forum how it intends to meet the goal, or collaborate with the local government and community groups on efforts to increase the project's wage levels.

Some experienced advocates believe that the simple public act of announcing a living wage goal for a project places substantial pressure on developers who care about their reputation with the local government and the community. Increased public

scrutiny and media attention may thus be the best way to induce a project to meet its living wage goal.

### **Are Living Wage Requirements Legal?**

Employers naturally resist any required increase in the wages they must pay. This resistance has on occasion taken the form of lawsuits challenging living wage policies enacted by various cities. Such challenges have rarely been successful. It would be very surprising if living wage laws were found to violate any aspect of federal law. A small number of states have enacted laws prohibiting cities from enacting living wage laws. Although other states' laws vary, living wage laws that are limited to contract and subsidy recipients appear to be on safe ground.

Living wage requirements agreed to by developers in negotiations with community groups are even safer. Where the requirements are simply part of a contract between private parties – like a CBA – it would be difficult for employers to challenge them. Any employer who dislikes a project's living wage requirements is free to refrain from leasing space in the project. In such circumstances, it would be very hard to successfully challenge a CBA-based living wage requirement.

### **Example: Living Wages for the NoHo Commons Redevelopment Project**

Attached as Appendix C is the living wage section of the community benefits agreement for the “NoHo Commons” redevelopment project, to be built in North Hollywood, a low-income area of Los Angeles. The 16.7-acre development project includes residential, retail, and office space and will receive over \$31 million in public subsidies and loans. The CBA was signed in 2001 by the developer and by the Valley Jobs Coalition, a coalition of community groups spearheaded during negotiations by LAANE.

The living wage provisions for this project reflect what will likely be a common scenario: the developer was unwilling to agree to apply living wage requirements to all tenants, but was willing to commit to a living wage goal of 75% of the project’s jobs, and to making other efforts to maximize living wage participation in the project:

- employees of the developer will be paid a living wage;
- employees of the developer’s contractors will be paid a living wage;
- the developer will “make all reasonable efforts to maximize the number of living wage jobs” in the development;
- in choosing between prospective tenants, the developer will “take into account as a substantial factor each prospective Tenant's potential impact” on the living wage goal;
- the developer and prospective tenants will meet with the coalition to discuss each prospective tenant’s impact on the living wage goal;
- the developer will provide biannual reports regarding wage levels; and
- tenants will provide the developer with their wage levels.

If despite these steps the living wage goal is not met for any two-year period, the developer agreed to pay a \$10,000 penalty and to meet with the coalition to develop additional steps to reach the living wage goal.

Living wage levels in the NoHo Commons policy are tied to Los Angeles’ living wage ordinance. There are different approaches to setting “living wage” levels; PolicyLink’s “Equitable Development Toolkit” explains several methods (see “Resources” box above). The NoHo Commons policy provides living wage levels

## Chapter Four: Targeted Hiring Programs

For many development projects, the developer's primary selling point is jobs. However, promises of new jobs for the neighborhood often go unfulfilled. The simple fact that a project employs a certain number of people does not necessarily mean the employment needs of the local community are being addressed.

The new jobs may be filled by individuals who live in other areas, or who have simply been transferred from the employer's other locations. Lots of factors influence who hears about available jobs, who gets interviewed for such jobs, and who is eventually hired. Even if the hiring process does work well for the local community, many unemployed individuals may need job training in order to become qualified for the new positions.

CBAs can assist with all these problems by incorporating *targeted hiring programs* – requirements that employers in a development make special efforts to hire certain individuals, sometimes with the assistance of local job training programs or a “first source” office. Targeted hiring programs can help development projects fulfill what is often their most fundamental purpose – building an economic base in low-income communities.

In addition to incorporating hiring requirements for employers, CBAs can require developers to provide space or funding for a First Source office. A First Source office, if adequately funded, can be a powerful tool for targeting employment opportunities in socially beneficial ways.

Community groups successfully incorporated targeted hiring requirements into CBAs for three recent developments in Los Angeles.

### The Case for Targeted Hiring

Targeted hiring policies advance what is often the main function of development project: to help a depressed area by increasing economic opportunities there. This is often the main purpose cited to justify a development's public subsidy.

This purpose is a valid one. Few would argue that a lack of economic opportunities does not have weighty consequences for a community. Geographically concentrated poverty causes particularly acute social conflicts. As employment levels in a neighborhood drop, the need for social services rises – just as a low-income neighborhood is contributing less to the municipal tax base, and suffering from a

corresponding lack of political power. Neighborhoods lacking a solid base of family incomes cannot sustain themselves.

Targeted hiring policies are a concrete mechanism to break down employment patterns that exacerbate these problems. While urban neighborhoods decline due to a complex web of larger societal forces – including suburban sprawl, the decline in manufacturing jobs, and a decline in real wages – targeted hiring policies can help government take small but real steps to help the economies of neighborhoods hit hardest by these social trends.

In addition, targeted hiring policies often benefit communities where residents are predominantly people of color. Local governments and community groups can thus further the important social goals of affirmative action without the political and legal difficulties that sometimes come with an explicitly race-conscious policy.

Some people are especially deserving of targeted hiring programs. For example, targeting jobs to workers whose jobs were displaced by a development is obviously fair. Such individuals pay a terrible price when a development project moves forward, and efforts to provide them with job opportunities – usually many months after their previous job ended – seem like small compensation. Some states, including California, require steps to provide opportunities to displaced workers.

Targeting jobs to residents of the neighborhood of the development is also compelling. Anytime a development project is built in a low-income neighborhood, residents of the neighborhood are urged to support the project based on promises of job opportunities the project will provide. It is only fair to require that projects promoted on that basis include some mechanism to ensure that local people actually get some of the jobs. In addition, neighborhood residents will bear most of the negative impacts of the development, such as increased traffic, parking problems, months of heavy construction, the possibility of increased housing costs, and other economic and environmental impacts. Those costs should be balanced with the benefits of economic opportunities. For these reasons, HUD's "Section Three" program requires that, for all HUD-assisted projects, economic opportunities such as job openings be directed to neighborhood residents "to the greatest extent feasible."

Combine all these arguments with the simple fact that most development projects explicitly promise jobs for local residents, and you have a powerful case for a CBA that includes some kind of targeted hiring mechanism. Developers and local governments dangling the prospect of local jobs should "put up or shut up."

## Target Populations

Individuals benefitting from a targeted hiring policy might include:

- individuals whose jobs are displaced by the development;
- residents of the neighborhood immediately surrounding the development;
- residents of low-income neighborhoods anywhere in the metropolitan area;
- individuals referred by local, community-based job training organizations; or
- low-income individuals generally.

Community groups can select one set of individuals on which they would like the program to focus, or they can develop a tiered system with first, second, and perhaps third priorities for available jobs. There is plenty of room for creativity here: communities may want to steer jobs toward individuals receiving public assistance, or graduating from community-based job training programs. As long as there is an appropriate public purpose, targeted hiring is appropriate.

### Referral and Hiring Processes

Once a targeted hiring program's priorities are set, there are many ways to administer it. Following are some options on how referral and hiring processes can be structured, from simple to more complex:

- *Tell the employers what the hiring priorities are, and leave it up to them to recruit and hire targeted individuals.* While this approach leaves the employers with wide discretion regarding their hiring methods, results can still be monitored, and enforcement provisions can still be strong.
- *Require employers to give notice of job openings in certain ways – mailings to targeted neighborhoods, advertisements in community newspapers, notification to job training centers, etc.*
- *Require employers to hold jobs open for a certain period of time after notification, and to only interview targeted individuals during that period.*
- *“First Source” – Require employers to interview people referred by certain sources, such as particular job training centers or a “First Source” office. These programs are sometimes called “employment linkage” programs.*

These methods can be combined or tailored to the needs and capacities of any community. Any of these methods can be combined with percentage goals for hiring targeted individuals.

It is important that the administrative requirements of targeted hiring program do not exceed the capacity of community resources. If a targeted hiring program's responsibilities exceed local capacity, the program will place few needy workers in the new jobs. It will also become a useless hurdle for employers trying to fill jobs, and could sour the neighborhood against such programs. But a targeted hiring program that runs smoothly will bring jobs to the intended individuals, benefit employers by providing a free source of qualified applicants, and cement relations between the development and the surrounding community.

Community groups should therefore make a realistic assessment of the number and sophistication of job training organizations in the area before negotiating a program that relies on them for prompt referrals of qualified individuals. Similarly, before setting up a system that relies on a first source office for referrals, community groups should ensure that the office will have adequate funding and staffing.

### **First Source Programs**

The most elaborate type of targeted hiring program is one that requires employers to interview applicants referred by a "first source" office before interviewing other applicants. A first source office receives notice of job openings from employers, maintains contact with a variety of job training organizations to access their pools of applicants, and promptly refers qualified workers to employers.

If adequately staffed and funded, a first source office can provide tremendous benefits. It can benefit employers by enabling them to access a variety of sources of applicants through a single job notice. It can benefit job training organizations and targeted individuals by giving them reliable access to information about job openings. It can help the targeted hiring program meet its goals. And it can dramatically simplify monitoring of the program, since all aspects of the program are centralized.

These responsibilities place tremendous pressure on a first source office; how the office functions will determine the success or failure of the program. A first source office that promptly refers qualified applicants will be seen as a benefit to employers, and can be a powerful tool for targeted employment. Conversely, a first source office that delays employers' efforts to fill jobs, or sends unqualified applicants, will not succeed.

If there is any doubt about the adequacy of resources for a first source office, we recommend that programs instead require employers to work directly with existing job training centers. However, a CBA can certainly require a developer to provide money and/or space for a first source office, and local governments can support first source offices as well.

Because of the risk of inadequate resources, first source offices make the most sense in large communities, where there are many established job training centers, and adequate resources are available. The City of San Francisco has a well-established first source program. The office maintains a master list of applicants from over forty job training centers, and has the capacity to promptly refer qualified applicants for available jobs. It processes hundreds of referrals per year, and keeps track of whether individuals referred were actually hired. The first source office is part of the San Francisco city government, and works with employers on every project covered by the citywide first source policy.

Many other cities have first source offices as well, with varying degrees of sophistication and involvement.<sup>6</sup>

### Monitoring and Enforcement

The most common complaint from community groups regarding targeted hiring programs is a lack of enforcement. Indeed, many localities have first source or local hiring programs that lack any monitoring or enforcement provisions whatsoever. While the primary factor in the success of a first source program is likely to be whether the first source office and the job training organizations can promptly provide qualified applicants, the importance of monitoring and enforcing the program cannot be discounted.

The most basic decision about enforcement is, of course, who will do the enforcing. If the program involves a first source office, that office would seem an obvious choice to monitor and enforce the program. However, the first source office needs to have a good relationship with employers in order to do its job, and the inherent tensions of the enforcement process can impede this relationship. While the first source system will be a crucial source of information regarding employers' compliance, actual

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<sup>6</sup> See Frieda Molina, "Making Connections: A Study of Employment Linkage Programs," Center for Community Change, May 1998; Stephanie Haffner, "Using Local Hiring Programs to Promote Employment Opportunities in Low-Income Communities: Examples and Practical Considerations," National Economic Development & Law Center, 1995.

enforcement responsibilities should lie with community groups signing the CBA, and with the local government if targeted hiring requirements are included in a development agreement. (Please see Chapter Seven for general comments on monitoring and enforcing CBA benefits.)

### Percentage Goals

If a program incorporates percentage goals, these become a central aspect of the enforcement system. Goals can be used many different ways, such as:

- The percentage goal can be considered a “safe harbor,” so that if an employer has met the percentage goal, it is considered to be in compliance with the program, and no enforcement action can be taken.
- Employers that meet the goal can be presumed to be in compliance with the program – but the enforcement body is empowered to find otherwise.
- Failure to meet the goal can automatically trigger additional requirements for the employer, such as a responsibility to explain in writing the reasons for certain hiring decisions.

However goals are used, they should give employers a strong incentive to meet them. The best approach is probably one that employs both the “carrot” and the “stick.” While there are many models for the “stick,” community groups should be creative in developing “carrots,” or ways to reward employers who meet their targeted hiring goals.

### Monitoring Hiring Patterns

The most difficult thing about enforcing a targeted hiring program is obtaining information from employers in enough detail to make enforcement possible. Various factors make employers reluctant to give out information about how they made their hiring decisions. Employers are used to their hiring processes being confidential; reasons for their decisions are often subjective and hiring decisions are among the most important decisions an employer has to make.

Nonetheless, an employer who agrees to comply with a targeted hiring program – in exchange for participating in a subsidized development project – must also agree to some mechanism for determining whether the program is being followed. Central to

any monitoring system is a reporting requirement. Employers should be required to file periodic reports on the percentages of their hires that are targeted individuals, and should be required to describe any difficulties they have had in complying with the program.

Beyond the reporting requirements, how elaborate a monitoring system needs to be will depend on the scope of the program itself. If the program merely places procedural requirements on employers, such as providing notice of available jobs, then monitoring may be quite straightforward.

If the program includes percentage goals for hiring targeted individuals, however, monitoring can become much more complicated. Employers will certainly need to report on the percentage of their hires that were targeted individuals; if an employer falls short of the percentage goal, then compliance will probably depend on whether the employer has made “good faith efforts” to hire targeted individuals. This can be a hard question to answer, and it may involve scrutiny of the criteria the employer used in hiring decisions – a very sensitive area.

Whatever the particulars of a program and an enforcement mechanism, any targeted hiring program needs the following to be enforceable:

- it should spell out *clearly* and *in detail* what the employers’ responsibilities are;
- it should require employers to provide periodic reports on the percentage of targeted individuals hired, and to provide any other information the enforcement body reasonably finds necessary to determine compliance; and
- it should indicate who will monitor the program and describe how it will be enforced.

If a program runs smoothly, enforcement provisions will rarely come into play.

## Legal Issues

Targeted hiring programs need to be carefully crafted to avoid legal pitfalls. Because there are many laws governing the hiring process, these programs can be somewhat tricky from a legal perspective. While it is impossible to completely insulate any program from legal risk, a carefully constructed targeted hiring program should be upheld in the unlikely event of a legal challenge. Community groups should be sure to consult an attorney when designing targeted hiring programs.

Following are some legal issues that require care:

*Neighborhood Specificity:* Programs that give preference to residents of one neighborhood over another can sometimes implicate constitutional provisions that protect individuals' "fundamental right" to practice their trade. This is only likely to become an issue (1) when employers could recruit applicants from more than one state, and (2) when the program is incorporated into a development agreement. In such cases, the best defense against this potential problem is to make sure that the program is carefully and narrowly designed to address poverty or economic distress in a particular neighborhood, with detailed findings regarding the need for such measures. The more closely the program is tailored to this accepted governmental role, the more likely it is to withstand any legal challenge. This is an instance where the legal requirements line up nicely with the social goals.

*Deal vs. Regulation:* A targeted hiring program is also more legally defensible when its application is limited to employers who have *clearly benefitted* from the public subsidy to the development. The more the program looks like part of a "deal" between consenting parties – and the less it looks like government regulation of unconsenting businesses – the better its chances of being upheld. Targeted hiring programs should be designed so that employers receive notice of the requirements before they commit to a place in the development. Employers who receive such notice and choose to sign a lease cannot claim to be unfairly regulated.

*Race and Gender:* Any targeted hiring program that incorporates race- or gender-based criteria into any aspect of its administration is open to legal challenge. Such programs are legal in certain circumstances, but require very strong and detailed justification, especially if the program becomes part of a development agreement.

***Employer Court Orders:*** Some large employers are under court orders regarding their hiring procedures. Court-ordered procedures usually will not conflict with targeted hiring programs; an employer may nonetheless point to a court order as a justification for exemption from the targeted hiring program. Unless there is an irreconcilable conflict between the court order and the program, there is no reason to exempt such employers.

***Collective Bargaining Agreements:*** Targeted hiring programs may conflict with collective bargaining agreements in the construction industry. If community groups want to apply targeted hiring requirements to construction jobs, they should work with representatives of the local building trade unions to try to design a policy that furthers the goals of targeted hiring, while also fitting with the complex systems governing hiring in the construction industry. It will almost always make sense to have targeted hiring policies that work differently for construction than for other industries. Collective bargaining agreements in retail, service, and manufacturing generally do not conflict with targeted hiring requirements.

#### **Example: Targeted Hiring Program from the Staples Project**

Attached as Appendix A is the CBA for the Staples project, described above. The First Source Hiring Policy, applicable to all employers in the development, is an attachment to the CBA, and will be included in tenant leases. This policy targets three tiers of individuals for employment opportunities: individuals whose residence or job is displaced by any phase of the development, low-income individuals living near the development, and low-income individuals living in low-income census tracts throughout Los Angeles. For initial hiring, employers are required to hold jobs open for three weeks while they interview only targeted individuals. For later hiring this period is shortened to five days. Employers who comply with the various hiring procedures or who have filled more than 50% of jobs with targeted individuals are presumed to be in compliance with the policy. The policy also contains detailed reporting requirements.

## Chapter Five: Environmental Issues

The fear of environmental impacts is often what ignites community organizing around a project. Residents may be concerned about anything from the project's visual appearance to new parking and traffic problems to toxic emissions generated by industrial projects. CBAs can also require a developer to reduce the negative environmental impacts of a project, or to provide affirmative environmental benefits like parks, open space, and recreational facilities.

Community groups have been negotiating with businesses and local governments over environmental issues for decades, and have sometimes signed "Good Neighbor Agreements" with businesses operating industrial facilities; these are similar to CBAs in many respects. (See box on Good Neighbor Agreements.)

Several communities have recently used CBAs to obtain substantial environmental commitments from developers. The CBA negotiation process is an effective mechanism for communities to negotiate for environmental benefits and mitigations beyond those required by law. CBAs can also allow community groups to step in when government enforcement is lax, supplementing the always-important process of working with the government to ensure enforcement of environmental laws.

### Environmental Racism

The history of placement of polluting industries in minority neighborhoods is long, well-documented, and tragic. A detailed discussion of the issue of environmental racism is outside the scope of this article. Suffice it to say that in a great many instances, community groups will organize to block the establishment or expansion of a polluting or hazardous facility in their community. CBA negotiations are only appropriate with regard to such facilities when the community is comfortable with the project's proposed location – or would be if the developer takes certain mitigation measures.

## Pollutants and Hazardous Wastes

In general, industrial development projects that raise issues of toxic discharges, regulated pollutants, hazardous materials, and the like will be subject to detailed strictures under federal and state law. However, the existence of such laws is no substitute for an active, engaged community. Enforcement of these environmental regulations is often spotty, and the consequences of unsafe industrial practices can be devastating for surrounding communities. Community groups that have reason to believe that a proposed development will involve pollution or hazardous materials should obtain advice from organizations with experience in this complex area.

Please see box on “Good Neighbor Agreements” for resources on community-company agreements related to pollution and similar issues.

### Mitigations: Reducing the Environmental Impacts of the Development

CBA negotiations on environmental benefits take place against the complex backdrop of environmental law. Federal, state, and local laws contain detailed requirements pertaining to environmental issues – zoning and planning measures, impact disclosure requirements, restrictions on toxic emissions, and so forth. Such laws may regulate everything from the basic uses that are permitted on a piece of land to the size and appearance of exterior signs. Virtually every impact of a development may be regulated to some degree: both the obvious environmental impacts like pollution and handling of hazardous wastes, and the less obvious ones like traffic patterns, visual appearance, wind tunnels, and storm water drainage.

Environmental laws may prohibit a specific environmental impact, may require that it be mitigated, may require that it merely be disclosed, or may ignore it altogether. Community groups need to work closely with experienced attorneys to determine what laws govern a proposed project.

Once they understand the backdrop of environmental laws pertaining to a project, community groups can use CBAs:

- to strengthen existing environmental requirements,
- to address environmental impacts that existing laws don't cover, and

- to provide more enforcement options by enabling direct, private enforcement of environmental requirements.

One important step: whenever plans for a project contain an environmental impact statement or a related document requiring the developer to take mitigation measures, community groups should try to incorporate the document by reference into the CBA – ensuring that all mitigation requirements are enforceable by affected community members.

Following are several examples of environmental mitigations and enforcement measures that community groups have negotiated into CBAs.

#### Example: Traffic Management Requirements for the SunQuest Industrial Park Project

The SunQuest Industrial Park is a 33-acre industrial project to be built in Los Angeles' San Fernando Valley. The project relied on the sale of city-owned land, and benefitted from a city commitment to clean up toxic wastes at the development site. A CBA for the project was signed in October 2001 by the developer and by the Valley Jobs Coalition, a coalition of community groups led during negotiations by LAANE.

Coalition members were extremely concerned about the traffic impacts of the project. The development will entail heavy industrial use, with large trucks routinely accessing the site. Coalition members wanted to ensure that this truck traffic would not spill onto the residential streets immediately surrounding the site. The SunQuest CBA therefore includes the following provision, applicable both to the developer and to the businesses that will eventually operate in the industrial park:

**Truck Traffic.** The Developer and Business Users, as applicable, shall require that all commercial trucks that will access the Site, during construction or at any other time, shall, when within a two-city-block radius of the Site, refrain from using residential streets, such as Telfair Street or Hadden Street.

The CBA also provides that if this prohibition proves ineffective, the City of Los Angeles shall install traffic signs and, if necessary, physical barriers to deter truck traffic on the nearby residential streets, with funding from the developer. In addition, the CBA requires the developer's assistance in advocating for the installation of turn lanes on primary access roads to the site.

Coalition members were also concerned about the impact on air quality of heavy trucks idling at the development. Both community residents and workers at the site

would benefit from limits on truck idling. The CBA therefore includes the following provision:

**Truck Idling.** The Developer and Business Users, as applicable, shall require that any commercial truck that will be on Site without moving for more than ten minutes shall have its engine turned off, rather than idling. Signs that outline this policy shall be visible wherever commercial trucks may park at the Site.

Like all other provisions of the CBA, the limits on truck idling are enforceable by the Valley Jobs Coalition and by the City.

#### Example: Design Requirements for the SunQuest Industrial Park Project

The Valley Jobs Coalition also had concerns about various elements of the SunQuest Industrial Park's design. Through the CBA process, they obtained commitments from the developer to address many of these concerns. They also established a "Community Design Review" procedure, requiring the developer to provide to the Coalition plans and designs for the development prior to city approval, and to meet with the coalition to address any concerns. The CBA includes explicit requirements that the development include plans to:

- ensure adequate storm water drainage;
- maintain health and appearance of trees, shrubs, and other landscaping elements;
- ensure that no part of the site has bare dirt as its visible surface;
- minimize the "heat island" effect by designing roof and parking lot surfaces in a light color; and
- minimize workers' exposure to smoke inhalation created by congregation of commercial trucks by installing air curtains at strategic points.

These "Community Design Review" provisions are attached as Appendix D.

Example: Community Enforcement of Required Mitigations in the SunQuest Project.

Another important provision of the design review process in the SunQuest CBA pertains to the project's "mitigated negative declaration." Under California law, a developer must file an environmental impact report *unless* the proposed project will have no significant impact on the environment. If mitigations are necessary in order to avoid environmental impacts, the developer files a mitigated negative declaration, outlining the required measures.

This important document can be hundreds of pages long, and can contain crucial environmental requirements for the project. These requirements are enforceable by the local agency overseeing the project. By incorporating the mitigated negative declaration into the CBA, the Valley Jobs Coalition made them enforceable by the community groups as well, greatly strengthening the community's hand in addressing environmental issues.

### **Brownfields**

Brownfields are abandoned or under-used properties where development is complicated by problems of actual or perceived environmental contamination. Many urban spaces that would be prime candidates for beneficial redevelopment remain unused because developers are wary of taking on unknown cleanup costs.

The brownfields movement attempts to address this problem through a variety of public/private partnerships. These have often been innovative and effective. Brownfields initiatives have incorporated job training and other community development programs, as well as greenspace protection and other environmentally friendly policies. When there are concerns regarding environmental contamination at a potential development site, community groups should be aware of brownfields programs and the potential they offer.

The Brownfields Non-Profit Network provides resources on brownfields and links to dozens of nonprofits working on brownfield issues around the country. ([www.brownfieldsnet.org](http://www.brownfieldsnet.org)) The web site of the U.S. Environmental Protection Agency provides information about its many brownfields programs. (<http://www.epa.gov/swerosps/bf/>)

## Requiring Environmental Benefits

In addition to helping reduce environmental problems, the CBA process can help communities obtain concrete environmental benefits as well. The larger the proposed development, the greater the public benefits that ought to be provided: open space, public plazas, and money for park and recreation facilities are all amenities that a developer can provide. Communities should think creatively about their needs – and should keep in mind the size of a project’s public subsidy when doing so.

### Example: Parks and Open Space Requirements for the Staples Project

The Staples project, described in Chapter Two, will be built in the “Figueroa Corridor” neighborhood adjoining downtown Los Angeles. Community groups in the Figueroa Corridor had long noted they had very little park space. In fact, the area contained only one quarter of the park space deemed necessary by the city, given the area’s residential density.

In light of this deficit in park space, the scale of the Staples development, and the potential size of the public subsidy, community groups made an increase in neighborhood park space a priority. The Staples CBA, attached in its entirety as Appendix A, reflects this decision.

Section III of the CBA sets out the framework for assessing the community’s needs for parks, open space, and recreational facilities. This needs assessment is to be funded by the developer (in an amount between \$50,000 and \$75,000), and commenced within 90 days after the project’s development agreement is finalized. Once the needs assessment is completed, the Developer is required to fund at least \$1 million worth of new parks and recreation facilities. These must be built within one mile of the project, and must be consistent with the results of the needs assessment. At the time of this writing, the coalition and the developer had agreed upon a consultant to perform the needs assessment, which will be launched shortly.

In addition to these new park and recreation facilities, the Staples CBA requires the developer to include in the project itself “a street-level plaza of approximately one acre in size and open to the public.” The newly constructed parks and this public plaza should provide a concrete benefit to the community surrounding the Staples project, and one closely tailored to the particular needs of the Figueroa Corridor community.

## **Good Neighbor Agreements**

**Over the last 25 years, many communities have signed enforceable “Good Neighbor Agreements” with companies operating industrial facilities. Good Neighbor Agreements most often focus on pollution control measures such as facility inspections, accident preparedness plans, and toxic emissions. They sometimes incorporate a broader range of community benefits, such as local hiring, union representation issues, and infrastructure improvements.**

**When legally enforceable, Good Neighbor Agreements are similar in concept to the CBAs discussed in this monograph. Good Neighbor Agreements are distinguishable in that (1) they generally emphasize control of pollution, toxins, and hazardous materials at industrial facilities, and (2) they are often negotiated with regard to existing facilities rather than proposed new developments. Most legal and practical concepts applicable to Good Neighbor Agreements are applicable to CBAs as well, and vice versa.**

**The Good Neighbor Project provides extensive information and resources on Good Neighbor Agreements. (<http://gnp.enviroweb.org>.) An excellent overview of Good Neighbor Agreements is the article, “Good Neighbor Agreements: A Tool For Environmental and Social Justice,” by Sanford Lewis, Esq., and Diane Henkels, in *Social Justice*, Volume 23, Number 4 (available online at [www.cpn.org/cpn/sections/topics/environment/stories-studies/lewis\\_henkel.html](http://www.cpn.org/cpn/sections/topics/environment/stories-studies/lewis_henkel.html)).**

## Chapter Six: Other Community Benefits

One of the advantages of CBAs is their flexibility: community advocates can negotiate for whatever benefits their particular community needs the most. In fact, when community groups come together over a proposed development, it is an excellent occasion to assess the community's needs. This assessment – and the coalition-building that can accompany it – can spark organizing and advocacy well beyond any single fight.

Previous chapters have described the most common benefits that many communities have in fact negotiated. This chapter describes other community benefits that can also be included in a CBA. Some of these benefits have already been won by community groups, while others are strong candidates for future campaigns. Advocates should be thorough and inclusive in assessing their community's needs, and creative in developing new ideas.

### Job Training

CBAs offer an excellent opportunity to tailor job training to the needs of employers in a development, and to increase training options for neighborhood residents. CBAs can require employers to provide long-range information about training needs. Local job training organizations can then tailor their programs to fit those needs. This strategy fits very well with a first source program, which can refer the trained employees to the employers who had requested the training. This “customized job training” can be a selling point for tenants in the project, and helps blunt the argument that first source requirements drive up costs for tenants.

CBAs can also require the developer to provide direct support for job training efforts, through financial assistance to existing job training centers serving the community, or through provision of space or seed money for establishment of a new job training center or program. The latter approach was used in the NoHo Commons redevelopment project, described in Chapter Three. The NoHo Commons CBA required the developer to provide \$10,000 as seed money for a new job training program for day laborers, with the program to be operated by a local nonprofit. Service providers and advocates can use such funds as leverage to raise money from other public and private sources for job training.

In the late 1990s, a coalition of community groups in the Los Angeles area, the Alameda Corridor Jobs Coalition, negotiated enforceable outreach and training requirements for a large construction project built in several low-income communities. A partnership of community-based organizations and labor groups

entered into a contract with the prime contractor for the project, requiring training of many community residents in construction trades and related skills. Hundreds of workers were trained through this program. The outreach and training agreement was a component of a larger campaign that resulted in local hiring goals being placed in the government's contracts with the prime contractor. For more information on the Alameda Corridor negotiations and agreements, contact Dennis Rockway of the Legal Aid Foundation of Los Angeles, 562-435-3501.

### **Right-to-Organize Commitments**

Labor unions and many community groups will place a high priority on obtaining "right to organize" commitments from employers in new developments. Such commitments include "card check" agreements, which greatly simplify the process of determining whether employees in a particular workplace wish to unionize, and "neutrality" agreements, which assure that employers will not use their power over employees to dissuade them from forming a union. Without such commitments, it is very easy for determined employers to impede unionization efforts.

While advocacy for the right to organize fits naturally with advocacy for other community benefits, resulting commitments usually should not be incorporated into CBAs. This is because CBAs should become part of the developer's agreement with the local government, and federal law prohibits some types of local government involvement in collective bargaining issues. While there are some circumstances where right-to-organize commitments may be included in development agreements, the legal complexities argue for a cautious approach. (We strongly advise that you check with an experienced attorney on this issue, as this area of law is complicated and changing.) While the campaign for right-to-organize commitments can be integrated with the campaign for other community benefits, memorializing the right-to-organize commitments in a separate document may avoid some legal pitfalls.

These concerns should not impede aggressive advocacy on this issue, however: union jobs are generally good jobs, where workers have a range of benefits and protections for which they would not otherwise be eligible. Right-to-organize commitments can be integral to raising job quality in new developments.

## Affordable Housing

CBA's can be used to promote affordable housing through several different approaches. A lack of affordable housing – in both the rental housing market and the ownership market – is one of the most intractable barriers to economic development of a low-income community. And in metropolitan areas where incomes are rising, preservation of affordable housing is an essential barrier to gentrification.

Many jurisdictions have “inclusionary zoning” requirements, calling for a certain percentage of units in new residential developments to be “affordable.” A typical affordability requirement is 10% to 15% of new units; the percentage often varies with the size of the development. Definitions of “affordable” vary widely, but are usually linked to regional median incomes, with the goal that households should pay no more than 30% of income towards rent.

Many programs are mandatory for new housing developments, but some are optional quid pro quos, with the developer allowed to build at a higher density if it incorporates affordable units. Even where there is no existing inclusionary zoning requirement governing a project, local governments can insist on inclusion of a certain percentage of affordable units as a condition of approval of a project.

If a proposed development includes a residential component, community groups need to determine whether inclusionary requirements govern the project. If not, then community groups can try to obtain a commitment through the CBA process that a certain percentage of the units will be affordable. Even if affordability requirements already apply, community groups should consider attempting to strengthen them through a CBA for the project. Community groups can press for improvements to the existing requirements in many areas, such as:

- the percentage of units that will be made affordable;
- the definition of “affordable”;
- the number of years after construction that the units must remain affordable;
- whether and how the required affordable units will be integrated with the market-rate units;
- number of bedrooms in affordable units;

- whether the developer will apply for a waiver or reduction in affordability requirements, as is permitted in some jurisdictions;
- whether the developer will contribute money to an affordable housing fund rather than building affordable units, as is permitted in some jurisdictions; and
- whether the affordable units must be built at the same time as the market rate units.

Even if a proposed project does not include new residential housing, community groups can press for the developer to fund local affordable housing programs. This is especially appropriate when the development is likely to increase rents in the area, potentially driving out long term residents.

There are many ways that developers can provide financial support for affordable housing. They can contribute to nonprofit housing developers; they can also contribute to the local jurisdiction's affordable housing fund. The CBA for the Staples project used a creative approach whereby the developer established a revolving loan fund for use by several local nonprofit housing developers. The Staples CBA provides the framework for the developer and these nonprofits to collaborate to produce a substantial number of affordable units in the next few years – perhaps more than the developer's initial commitments regarding the Staples project itself.

Even aside from inclusionary zoning requirements, there are many laws aimed at preserving and increasing the supply of affordable housing. For example, when a redevelopment project results in the demolition of affordable housing units, the local government entity overseeing that project may be required to replace those units. Similarly, many states require that a portion of new tax revenue generated by redevelopment projects be dedicated to development of affordable housing. While these responsibilities generally fall on the local government rather than the developer, community groups should understand these requirements when negotiating over affordable housing with the developer and the local government. Community groups should work with local affordable housing advocates to understand the legal and financial environment and the current opportunities for affordable housing development.

## **Resources on Affordable Housing**

Perhaps the best resources for community groups interested in affordable housing are local nonprofit housing developers and experienced affordable housing advocates. Most communities have one or more such nonprofits, and they will be most familiar with area affordability requirements and other key issues.

Beyond local groups, there are many national sources of information on affordable housing.

- The nonprofit National Housing Conference contains information on housing policy issues in general and affordability in particular, and its online “Affordable Housing Clearinghouse” contains well-organized links to a great number of groups working on housing affordability through many different strategies. ([www.nhc.org](http://www.nhc.org))
- The nonprofit National Low-Income Housing Coalition provides resources on affordable housing issues, in concert with its network of local members. The NLIHC web site is another good way to find local affordable housing developers and advocates. ([www.nilhc.org](http://www.nilhc.org))
- The web site of the Innovative Housing Institute contains an overview of inclusionary zoning requirements around the country, and provides technical assistance on inclusionary zoning. ([www.inhousing.org](http://www.inhousing.org))
- The U.S. Department of Housing and Urban Development maintains many offices and programs devoted to expanding the nation’s supply of affordable housing. ([www.hud.gov/offices/cpd/affordablehousing/index.cfm](http://www.hud.gov/offices/cpd/affordablehousing/index.cfm))

## **Funding or Facilities for Community Services**

Every neighborhood needs funding or facilities for community services. Developers of large, publicly-subsidized projects are often willing to provide space or funding for such services. CBA negotiations can galvanize these commitments, can tailor them as needed, and can make them detailed and enforceable.

Community groups might press for facilities or funding for:

- youth centers;
- health clinics;
- child care centers;
- community centers;
- senior centers;
- job training programs;
- educational programs;
- art programs;
- recreation facilities; or
- other neighborhood improvement projects.

The many possibilities here underscore the need for advocates to conduct a broad, inclusive assessment of their community's needs, and then prioritize their goals. Advocates should remember that developers are not in the business of operating these types of facilities; if developer commitments are not supplemented with community resources and involvement, they are likely to go to waste. Community groups should expect to remain involved in implementation and fundraising for such programs.

**Examples: Child Care Facility in NoHo Commons and Youth Center in SunQuest**

The CBA for the NoHo Commons redevelopment project, described in Chapter Three, contains the following provisions regarding an on-site child-care center. Note that the developer is required both to provide space within the development for the child care facility, and to ensure that low-income families will have access to it. In addition, note the implementation role envisioned for the coalition that negotiated this agreement.

*Child Care Program and Facility.* The Developer agrees to plan an on-site location for a child care center and to enter into a lease agreement with a child care provider for use of that location as a child care center. This child care center shall offer affordable, accessible and quality child care for both on-site employees and the surrounding community. Developer in its lease with the childcare provider shall require that a minimum of 50 spaces shall be made

available to very low, low and moderate-income families. The childcare provider shall operate the site on an ongoing basis and shall secure government subsidies for families in need.

The Developer will work with the Valley Jobs Coalition and the Child Care Resource Center to select a quality child care provider to lease the facility. The quality and affordability of the child care center will be the long-term responsibility of the provider. The Valley Jobs Coalition will assist the provider in fundraising and other efforts to maintain the quality and affordability of the child care center.

**The NoHo Commons CBA also required the developer to provide rent-free space for the development's first source program.**

**The CBA for the SunQuest Industrial Park Project, described in Chapter Five, requires the developer to build and donate to the City of Los Angeles a facility suitable for use as a youth center. Unlike the NoHo Commons child care facility, the space devoted to the youth center will not be space within the development. The provisions describing this requirement are attached as Appendix E. Note the heavy community and government involvement in implementation.**

### **Shaping the Mix of Businesses In the Development**

**Community groups routinely advocate for changes in the elements of a proposed development project, in an effort to bring desirable businesses or nonprofits into the new development. This advocacy fits naturally with negotiations over a CBA.**

**Communities often press for the inclusion of a supermarket or a bank – crucial services that are often lacking in low-income neighborhoods. If locally-owned and local-serving businesses will be displaced by a development, then it is fair to demand space in the new project for at least some of these businesses. Advocates may also press for inclusion of space for community-serving nonprofits, at a reduced rent if possible.**

**Because the use of space within a development directly affects the developer's bottom line, community groups may have to spend a lot of their political capital to obtain this type of benefit. However, these decisions will determine whether or not the development really serves the surrounding community, so they are worth fighting for. A new development may be an unusual – or even unique – opportunity to bring a valuable business like a bank or supermarket to a low-income community. The potential benefits to neighborhood residents are immense.**

Keeping out undesirable businesses can be just as important as including desirable ones. Community groups can push for developer commitments to exclude businesses that have a track record of labor violations, workplace safety violations, or environmental problems. These criteria can apply both to contractors hired by the developer and tenants, and to the developer's selection of tenants themselves.

An ideal policy would prohibit contracting with or leasing to businesses based on specific, independently verifiable criteria, such as:

- a current designation by a government entity that the business is not a responsible contractor or is not eligible for public contracts;
- recent administrative or judicial findings that the business has violated labor or employment law; or
- recent citations for violation of environmental laws.

If a developer will not commit to absolute limitations on its discretion over contracting or leasing, it may be willing take into account considerations of business responsibility. While more difficult to enforce, such a commitment will at least get the developer thinking along these lines. Also helpful are requirements that businesses report on such violations, and that the developer report on his mix of tenants from this perspective.

The CBA for the Staples project, described in Chapter Two, used a combination of these approaches. See Appendix A, section VIII.

### **Banking Services and Lending Assistance**

Most low-income communities lack adequate access to banking services, home loans and small business loans. This stands as a real barrier to community-friendly economic development. Improved financial services can benefit individuals, families looking to purchase a home, small businesses, nonprofit affordable housing developers, and other local nonprofits.

Many kinds of financial services and assistance would make good community benefits as part of a CBA.

- **Lending assistance.** Community Development Financial Institutions, or CDFIs, make loans that are targeted to communities, businesses, and nonprofits that are underserved by the traditional for-profit lending

market. CDFIs can also guarantee loans made by private lenders, and provide technical assistance to loan applicants. Developers can invest in or lend money to CDFIs or similar organizations that serve the neighborhoods in which their projects will be located.

- **Homeownership assistance.** Developers can support programs that help low-income individuals to become homeowners, to repair their homes, or to remain in their homes when at risk of foreclosure because of predatory lending.
- **Banking services.** Many low-income communities have no banking services whatsoever – not even an ATM. If a development is going to include commercial space, bringing a bank into the community can provide a tremendous benefit.

Good resources for information on efforts to bring capital and credit to low-income communities are the National Community Reinvestment Coalition ([www.ncrc.org](http://www.ncrc.org)), and the California Reinvestment Committee ([www.calreinvest.org](http://www.calreinvest.org)), and the Woodstock Institute ([www.woodstockinst.org](http://www.woodstockinst.org)).

## **Worker Retention**

Some cities have “worker retention” ordinances, which provide job security to long-term service workers when city contracts change hands. In addition to protecting workers, these ordinances also prevent employers who take over city contracts from firing existing workers in order to “break” the union that represents those workers.

CBA's can include similar protections for employees working at a new development. Worker retention provisions can apply to the developer's contractors, tenants' contractors, or both. They can also apply to a specific tenants, such as a hotel or a theater. This ensures that the service workers get to keep their jobs even when the specific hotel or theater operator changes – thus when a hotel changes management from a Hilton to a Sheraton, the hotel's many service employees are not thrown out of work. Security services, custodial services, and the like are also natural fits for worker retention requirements. Section VII of the Staples CBA, attached as Appendix A, includes worker retention provisions covering contractors and hotel and theater employees.

## **Local Businesses and Affirmative Action in Contracting**

**Publicly subsidized development projects provide unique opportunities for businesses in low-income neighborhoods. Occasionally, laws provide that business opportunities arising in a subsidized development be targeted to businesses displaced by the development, or to small businesses in the surrounding neighborhood; HUD’s “Section Three” program requires such efforts in some cases. However, these requirements and business opportunities are rarely realized.**

**Community groups can use the CBA process to require efforts to target business opportunities to neighborhood businesses. These efforts can pertain to: service contracts, such as security, landscaping, or custodial services; and supply contracts. Even a single contract can bump a small local business up from a previous level, giving it a track record on a project of larger size. In addition, contract awards to a local business can produce a bigger “multiplier effect,” as locally-owned businesses are more likely to hire local workers and to reinvest profits in the community. While there are some legitimate concerns about such programs, particularly in the construction industry, in many situations business opportunities will nonetheless be a high priority for community advocates.**

**There are a great many models for programs to help certain businesses obtain contracts. Hundreds of jurisdictions have had or still maintain affirmative action programs in public contracting; many large corporations have programs promoting diversity in contracts they award; and all levels of government have programs targeting small businesses for contract awards.**

**Approaches used in these programs vary widely. Many programs use some combination of required elements, such as requirements that businesses awarding contracts must:**

- notify local contracting organizations of contracting opportunities;**
- assist local businesses in bid preparation;**
- break large contracts down into smaller contracts;**
- make good faith efforts to award contracts to local businesses; and**
- attempt to meet percentage goals for local business awards.**

**Contracting programs can present special concerns and tensions in the construction industry. The construction industry has unique processes for hiring workers and for awarding contracts and subcontract, making advocacy in this area difficult and specialized.**

Many small contractors do not employ union workers or pay union wages and benefits. Building trades and worker advocates are rightly concerned that contracting programs that steer work to these contractors will drag down wages and benefits for workers. They argue that providing jobs to community members is of questionable value if the jobs pay low wages, provide no employee benefits, and provide little training.

Tensions arise because some representatives of low-income communities feel that few individuals from their communities are involved in the unionized construction referral system. They argue that without efforts to involve local businesses, large union contractors will perform the construction contracts, and, while wages might be good, these wages will be going to current union members rather than to workers from their community.

These opposing views present a false dichotomy. To the extent that construction contractors in low-income communities are not union contractors, they can be brought into the union system. Many small construction contractors lack experience with union referral and pension systems, and would benefit from special efforts to bring them in. More union construction contractors can only lead to more power for workers.

Similarly, to the extent that individuals from low-income communities are not well-represented in certain construction trades, efforts can be made to bring them into the system as well. Many labor unions and devoted advocates have developed creative and successful programs to expand union membership in particular communities.

Many of these issues can be resolved through cooperative efforts and through a combination of related requirements and initiatives. Depending on the priorities of community groups and worker advocates, these may include:

- prevailing wage requirements, which require decent wages and benefits and prevent contractors from underbidding each other by cutting wages;
- project labor agreements, which establish a common set of work rules, working conditions, hiring practices and settlement dispute mechanisms, usually with the stipulation that there will be no strikes by the unions or lockouts by management;
- local contracting programs, accompanied by assistance to local contractors in complying with project wage requirements and new systems; and
- efforts to bring community members into established union apprenticeship programs.

A combination of these approaches may enable small local construction contractors to develop their businesses while maintaining good wage levels for the project and bringing many new contractors and workers into the union system. Cooperation and openness by all parties is key.

Even if all these efforts are agreed upon, a local construction contracting program can be difficult to implement even for a single project. Prime contractors have very close relationships with their subcontractors, and are often loath to work with new ones. Advocates for local construction contractors will have the best chance of success if they have the developer on board before the developer has selected a prime contractor, so that the developer makes sure that the prime contractor it chooses has a real commitment to work with local businesses. This is an area where the personal efforts of key individuals can be more valuable than the most detailed written policy.

## **Labor-Community Partnerships in the Construction Industry**

There are several examples around the country of creative and effective partnerships between building trades and community organizations. For information on some of these programs, contact:

- Houston Drayton, consultant on Seattle-area PLAs, 206-988-5694
- Martin Trimble, Washington (DC) Interfaith Network, 202-518-0815
- Amaha Kassa, East Bay Alliance for a Sustainable Economy, 510-893-7106
- Paul Sonn, Brennan Center for Justice (New York), 212-998-6328

Also, see generally the High Road Partnerships Project of the AFL-CIO's Working for America Institute (<http://www.workingforamerica.org/highroad/index.htm>).

Efforts to assist service and supply contractors are less complex. Developers may be open to using local contractors to provide security and other services or supplies related to the development. These ongoing contracts can be excellent opportunities for local businesses. Developers may be somewhat more reluctant to apply contracting requirements to their tenants, but community groups can certainly press on this issue.

As with the construction industry, there are concerns that efforts to assist small, local businesses in obtaining service and supply contracts will lead to lower wages and benefits, as larger businesses often have better compensation packages for their workers. As with construction, however, the focused efforts can help bring small businesses into the union system, providing protection for workers while still keeping business opportunities local.

All policies assisting local businesses should have a clear limit on the size of the businesses that can benefit. This limitation will help protect policies from legal challenges. It will also prevent large businesses that are part of the new development from becoming unintended beneficiaries of a local contracting policy.

Just about everything mentioned in this section regarding local contracting applies as well to efforts to benefit minority- and woman-owned businesses, with one caveat: there are special legal concerns related to affirmative action. The limitations on race-conscious efforts by government are very strict; therefore, the more closely the local government is involved in CBA negotiations, the riskier an affirmative action

policy becomes. The legal obstacles are less severe if the government is not involved in CBA negotiations, but they still exist. Programs that target local contractors will in many cases achieve the same important goals of affirmative action programs, with less legal risk.

## Chapter Seven: Monitoring and Enforcement

Commitments to provide community benefits often go unfulfilled. Difficulties in monitoring and enforcement are a widespread problem. CBAs are an attempt to address this problem, both by memorializing developer commitments in writing and by enabling community groups to enforce them, rather than having to rely on local governments.

For a CBA to succeed in this role, community groups must pay careful attention during negotiations to how each community benefit will be monitored and enforced. For each developer commitment in a CBA, community groups should make sure that the CBA contains answers to the following questions:

- What is the time frame for the commitment to be fulfilled?
- Who will monitor performance?
- How and when will information on performance be made available?
- What will happen if the commitment is not fulfilled?

These are not easy issues to discuss in the context of negotiations over community benefits. An emphasis on the details of monitoring and enforcement does not help create a trusting, collaborative atmosphere during negotiations. Some monitoring and enforcement provisions are off-putting because they are so complex and technical, and they generally require legal expertise.

Nonetheless, community groups need to make effective monitoring and enforcement provisions a priority. Developers who resist sensible and effective monitoring and enforcement systems are developers whose commitments may reasonably be questioned.

Chapter Four contains detailed information about monitoring and enforcing targeted hiring programs.

### Time Frame

Every benefit described in a CBA should have a clearly defined time frame. Many community benefits are “front-end” commitments that are intended to be fulfilled as soon as it is clear that the development is actually going forward (for example, financial contributions for improved neighborhood services). Developers will want

some assurance that community groups will not attempt to hold them to these commitments if the project falls through. Front-end benefits should be provided by a date at which it is clear that the development is moving forward, such as the date construction commences, or the date a certificate of occupancy is issued.

Benefits concerning a developer's selection of tenants should have time frames tied to the date the developer enters into lease agreements. A good example of this language is the following provision from the "Living Wages" section of the NoHo Commons CBA described in Chapter Three.

**b. Coalition Meeting with Prospective Tenants.** At least 30 days before signing a lease agreement or other contract for space within the Proposed Development, the Developer will arrange and attend a meeting between the Coalition and the prospective Tenant, if the Coalition so requests. At such a meeting, the Coalition and the Developer will discuss with the prospective Tenant the Living Wage Incentive Program and the Health Insurance Trust Fund, and will assist the Coalition in encouraging participation in these programs. If exigent circumstances so require, such a meeting may occur less than 30 days prior to the signing of a lease agreement; however, in such cases the meeting shall be scheduled to occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract.

Other benefits can be provided only after the project is built, such as living wages and local hiring. While these benefits generally don't need a particular "start date," developers may want these benefits to *expire* at a certain time – perhaps five or ten years from the opening of the development. If community groups agree to such a time limit, it should be clearly described in the CBA.

## Monitoring

Community groups should consider how each benefit in a CBA will be monitored. Financial commitments and other one-time benefits are probably the easiest aspects of a CBA to monitor. Much more challenging are ongoing tenant commitments, such as living wage and local hiring requirements. The most effective approaches include affirmative reporting requirements as well as the ability to investigate complaints of noncompliance.

Required reports should be no less frequent than once a year, should be publicly available, and should be due by a particular date each year. A developer might be required to file with the city council a report on a year's wage levels at the development by April 30<sup>th</sup> of the succeeding year. Tenants can be subject to similar

requirements, or can be required to submit information to the developer in time for the developer's report.

Community groups should not simply rely on reports from the developer and tenants. Reports need to be verifiable, and complaints need to be investigated. These tasks can be very tricky, however. Developers and tenants will be reluctant to let community groups inspect records of their wages and hiring decisions. But if developers are making a commitment to community groups, the community groups need a reliable way to determine whether that commitment is being fulfilled.

One possible compromise is to empower local government officials to verify reports and/or investigate complaints. If the CBA has been folded into a development agreement, then the developer's commitments have been made to the local government as well, and a governmental monitoring role is a natural fit. This approach is difficult (or in some cases impossible) if the CBA is not part of a development agreement. In addition, community groups will always prefer the ability to monitor performance themselves, rather than having to rely on the local government. This approach may be a workable compromise on a difficult issue, however.

There is no one-size-fits-all approach to monitoring community benefits. However the details play out, community groups should never settle for a monitoring system where performance reports are not verifiable by anyone. This is an area that will benefit from creative approaches and collaborative problem-solving during the negotiation process.

### **Enforcement by community groups**

Community groups entering into CBAs can and should have the ability to enforce CBAs against the developer in court. While most contracts have some provisions for recovery of money damages against a party violating the agreement, community groups will generally be more concerned with ensuring that promised benefits are in fact provided. Community groups should therefore ensure that CBAs recognize the right to ask for a court order requiring the developer to honor commitments contained in the CBA.

It is much more difficult for community groups to maintain the ability to directly enforce CBA commitments on tenants and contractors of a development. (See box on Legal Issue: the "Flow-down" problem.) Developers may be resistant to asking their tenants and contractors to open themselves up to lawsuits by community groups. However, if the developer is really agreeing to impose these commitments

on tenants and contractors, there needs to be a way for community groups to enforce them.

The only alternative to direct enforcement against the tenants and contractors is to make the *developer* responsible for the behavior of tenants and contractors. Again, CBAs should be clear that the developer is subject to court orders to fulfill its commitments and cannot escape by paying money damages. All these enforcement issues require close attention from an attorney trusted by community groups.

#### Legal Issue: The “Flow-Down” Problem

Lawyers drafting a CBA need to pay particular attention to language in the CBA that will bind parties other than the developer: developer’s contractors and tenants, various subcontractors, entities to whom the developer sells land, and so forth. Making commitments by these entities enforceable can be complex.

Some community benefits require action by such entities via “links” in a contractual “chain.” Take the example of a CBA that includes mandatory living wage provisions covering all businesses working at the development. The chain of contracts might work as follows: the community groups enter into a CBA with the developer, which enters into a lease agreement with a tenant, which hires a contractor to provide custodial services, which hires a subcontractor to perform a particular task.

If community groups hope to require that subcontractor to pay a certain wage to its employees, then the CBA needs to contain detailed and well-thought-out “flow down” language. The CBA needs to set up a system whereby (1) each business is informed of and agrees to the substantive requirements that apply to it, (2) each business agrees that it will include these requirements in other contracts it enters into, and (3) each business agrees that community groups, the local government, or affected individuals can enforce the requirements.

The CBA needs to provide strict penalties for businesses that fail to do this. Any break in the contractual “chain” will make CBA requirements unenforceable against some businesses working in the development.

## Enforcement by Local Government

CBA's should *always* become part of a development agreement with the local jurisdiction providing the subsidy. If the local jurisdiction intends to provide the subsidy without any written agreement with the developer, community groups should encourage the jurisdiction to initiate one.

Inclusion of a CBA in the development agreement greatly assists in the enforcement of the CBA. While community groups should certainly ensure that they can directly enforce the developer's commitments, the threat of government enforcement may be much more powerful to a developer. Development agreements generally contemplate a wide variety of enforcement measures, and cities have the experience and resources necessary to take these measures – when they have the political inclination to do so.

In addition, government may be able to fold enforcement of some community benefits into existing administrative systems. For example, if a city has a living wage policy, making living wage commitments in a CBA enforceable through the city's administrative system is an obvious step. Ideally this can be a system where affected individuals, such as workers in the development, can take complaints of noncompliance.

The only community benefits that generally should *not* become part of a development agreement are those for which there are clear restrictions on local governmental action, such as “card check” agreements and affirmative action programs; community groups have wider flexibility than local governments in entering into contracts in these areas.

On all issues, however, community groups signing CBAs should embrace their ability to enforce developer commitments. The core principle of a CBA is that each side's commitments are legally enforceable by the other side. Community groups signing a CBA thus have the legal power to require the developer to provide the community benefits as described in the CBA, and careful drafting will make this possibility more than an abstract one.

Hopefully, it will be a rare case where community-based organizations actually need to take legal action because a developer violates a CBA. Open communication and good-faith efforts to work out problems – backed by the ability to take legal action if necessary – should solve most CBA compliance issues.

## **Conclusion: Turning Project Victories Into Citywide Policies**

**As effective as community groups in Los Angeles have been in negotiating recent CBAs, project-by-project negotiations are not an ideal approach. Community groups should not have to identify upcoming projects, mobilize coalitions, and fight the same battles over and over again. In the long run, such an approach is too resource-intensive to be effective for anything but the largest and most prominent development projects. Many smaller subsidized projects will inevitably go forward without appropriate community involvement.**

**Ideally, cities should make a community needs assessment and baseline community benefits part of every subsidized project. A citywide policy for subsidized projects could do just that. This would promote uniformity, avoid lengthy and repetitious project-by-project battles, and ensure that all subsidized projects in a given jurisdiction provide some basic community benefits. A push for a citywide community benefits policy also provides a valuable opportunity for coalition-building and strengthening of organizing networks.**

**Many types of benefits seem appropriate as across-the-board requirements for all projects of certain types. Payment of living wages should be required every time the public subsidizes employers. Strong inclusionary zoning requirements should be imposed every time the public subsidizes a housing developer. Targeted hiring requirements should be imposed every time a subsidized development is being built in a low-income neighborhood. These community benefits, and perhaps others as well, should be seen as basic responsibilities of a developer receiving public subsidies.**

**Once these basic requirements are incorporated, project-specific and community-specific needs should be considered as well. For all subsidized projects above a certain threshold, cities should require a community needs assessment before the project can go forward. A citywide community benefits policy can thus establish a range of baseline benefits, and, just as important, require a process whereby community needs are assessed and considered.**

**Citywide community benefits policies are a natural evolution from the many existing citywide policies that focus on specific issues, such as living wages or affordable housing. Now that many cities have issue-specific policies – and community groups are building a track record of project-specific CBAs – citywide community benefits policies are the logical next step in the accountable development movement.**

Many complicated issues face the community groups that will press for citywide policies in the coming years. Prioritizing goals within a broad coalition is always a challenge. Any citywide policy will have to include waiver provisions that are flexible enough to allow for use in a wide variety of developments, while remaining narrow enough that the exceptions do not swallow the rule. And there is always the challenge of convincing government officials to adopt broad reforms.

We strongly encourage advocates throughout the country to be creative in designing and implementing an accountable development agenda in their own communities. The mixture of community needs, political opportunities, and institutional barriers will be different in every city. LAANE's experience in Los Angeles demonstrates that in the right circumstances, determined and thoughtful organizing can bring terrific community benefits, commensurate with the taxpayer subsidies given for development.

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Julian Gross is a civil rights attorney with a solo practice in San Francisco. He works with nonprofits and government entities around the country on issues of social and economic justice. Julian represented LAANE and other community-based organizations in negotiating the Community Benefits Agreements described in this article. He has drafted numerous local hiring and contracting policies, and has worked on living wage policies and many other community economic development initiatives. Julian has an extensive background in employment law, redevelopment law, affirmative action, anti-discrimination law, and organizational issues relevant to nonprofits.

Prior to entering solo practice, Julian was a Skadden Fellow and a Project Attorney at the Employment Law Center / Legal Aid Society of San Francisco, litigating affirmative action, civil rights, and employment discrimination cases. Julian is Vice President of the Board of Directors of the Mission Economic Development Association. He now provides technical assistance to grantees of the McKay Foundation.

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Dubbed “the nation’s leading watchdog on state and local economic development subsidies,” Greg LeRoy founded and directs Good Jobs First. He is the author of the 1994 book *No More Candy Store: States and Cities Making Job Subsidies Accountable* (the first national compilation of accountability safeguards), and 1998 winner of the Public Interest Pioneer Award of the Stern Family Fund. Greg has been writing, training and consulting on economic development issues more than 20 years for state and local governments, labor-management committees, unions, community groups, and development associations. Good Jobs First is a national resource center promoting corporate and government accountability in economic development; it provides research, training, model publications, consulting, and testimony to

grassroots groups and public officials seeking to ensure that subsidized businesses provide family-wage jobs and other effective results.

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**Madeline Janis-Aparicio is the founder and Executive Director of the Los Angeles Alliance for a New Economy. Madeline led the successful battle to pass Los Angeles' living wage law, at the time one of the first in the nation. She recently received the Antonia Hernandez Public Interest Award from the UCLA School of Law.**

**LAANE has been finding innovative ways to reduce working poverty since 1993. LAANE has advocated for living wage laws, pressed for responsible economic development that gives priority to good jobs, supported union organizing efforts throughout Los Angeles, and issued major research studies on working poverty, economic development and public subsidies. In all its efforts, LAANE combines a vision of social justice with a practical approach to social change, working in coalition with community organizations, unions, religious leaders, academics and elected officials.**

## Appendix A: Staples CBA

*(This document describes the community benefits for the project. A separate document sets out the community groups' commitments not to oppose the project through lobbying or litigation. )*

### ATTACHMENT A COMMUNITY BENEFITS PROGRAM

#### I. PURPOSE

The purpose of this Community Benefits Program for the Los Angeles Sports and Entertainment District Project is to provide for a coordinated effort between the Coalition and the Developer to maximize the benefits of the Project to the Figueroa Corridor community. This Community Benefits Program is agreed to by the Parties in connection with, and as a result of, the Cooperation Agreement to which it is attached. This Community Benefits Program will provide publicly accessible park space, open space, and recreational facilities; target employment opportunities to residents in the vicinity of the Figueroa Corridor; provide permanent affordable housing; provide basic services needed by the Figueroa Corridor community; and address issues of traffic, parking, and public safety.

#### II. DEFINITIONS

As used in this Community Benefits Program, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form. Any capitalized terms not specifically defined in this Attachment A shall have the meanings as set forth in the Settlement Agreement.

“Agency” shall mean the Community Redevelopment Agency of the City of Los Angeles.

“City” shall mean the City of Los Angeles.

“Coalition” shall have the meaning set forth in the Cooperation Agreement.

“Contractor” shall mean a prime contractor, a subcontractor, or any other business entering into a contract with the Developer related to the use, maintenance, or operation of the Project or part thereof. The term Contractor shall not include Tenants.

“Cooperation Agreement” shall mean the Cooperation Agreement entered into between the Developer and the Coalition on May 29, 2001.

“Developer” shall mean the corporations entitled the L.A. Arena Land Company and Flower Holdings, LLC.

“Needs Assessment” shall have the meaning set forth in Section III.C.1.

“Project” shall have the meaning set forth in the Cooperation Agreement.

“Tenant” shall mean a person or entity that conducts any portion of its operations within

the Project, such as a tenant leasing commercial space within the Project, or an entity that has acquired a fee simple interest from the Developer for the purpose of developing a portion of the Project. "Tenant" does not include Contractors and agents of the Developer. Tenant shall exclude any tenant of a residential dwelling unit, any guest or other client of any hotel and any governmental entity.

### **III. PARKS AND RECREATION**

**A. PURPOSE.** The purpose of this Section is to help address the deficit of park space in the Figueroa Corridor community. The Figueroa Corridor contains less than a quarter of the park space acreage required by the City. The park construction efforts under this Section will help address this deficit, providing a measurable and lasting benefit to the Figueroa Corridor community.

**B. QUIMBY FEES.** Developer agrees to pay all fees required by the Los Angeles Municipal Code, Chapter I, Article 7, Section 17.12, "park and recreation site acquisition and development provisions," subject to offsetting credits as allowed by that section and/or state law and approved by the city. The Coalition shall support Developer's application for Quimby credit under this section, provided that Developer's applications for credits are based on publicly accessible space and facilities.

#### **C. PARKS AND OPEN SPACE NEEDS ASSESSMENT.**

**1. Needs Assessment.** The Developer will fund an assessment of the need for parks, open space, and recreational facilities in the area bounded by the following streets: Beverly Boulevard and the 101 freeway (north boundary); Western Avenue (west boundary); Vernon Avenue (south boundary); and Alameda Street (east boundary). Developer will commence fulfillment of its responsibilities under this section III.C within 90 days after enactment by the Los Angeles City Council of a development agreement ordinance for the Project.

**2. Funding.** Developer will fund the Needs Assessment in an amount between \$50,000 and \$75,000, unless the Coalition consents to the Developer funding the Needs Assessment in an amount less than \$50,000.

**3. Selection of organization conducting needs assessment.** The Needs Assessment will be conducted by a qualified organization agreed upon by both the Developer and the Coalition, and paid an amount consistent with Section III.C.2, above. The Developer and the Coalition may enlist other mutually agreed upon organizations to assist in conducting the Needs Assessment.

#### **D. PARK AND RECREATION FACILITY CREATION BY DEVELOPER.**

**1. Park and recreation facility creation.** Following the completion of the needs assessment, the Developer shall fund or cause to be privately funded at least one million dollars (\$1,000,000) for the creation or

improvement of one or more parks and recreation facilities, including but not limited to land acquisition, park design, and construction, within a one-mile radius of the Project, in a manner consistent with the results of the Needs Assessment. By mutual agreement of the Coalition and the Developer, this one-mile radius may be increased. Each park or recreation facility created pursuant to this agreement shall be open to the public and free of charge. Developer shall have no responsibility for operation or maintenance of any park and recreation facility created or improved pursuant to this agreement. Developer after consultation with the Coalition shall select the location of park and recreation facilities to be created or improved. Park and recreation facilities shall be created or improved in a manner such that a responsible entity shall own, operate, and maintain such facilities. Each park created or improved pursuant to this agreement shall include active recreation components such as playgrounds and playing fields, and shall also include permanent improvements and features recommended by the Needs Assessment, such as restroom facilities, drinking fountains, park benches, patio structures, barbecue facilities, and picnic tables. Recreation facilities created pursuant to this Section should to the extent appropriate provide opportunities for physical recreation appropriate for all ages and physical ability levels.

**2. Timeline.** The park and recreation facilities created or improved pursuant to this agreement shall be completed within five years of completion of the Needs Assessment. At least \$800,000 of the funds described in Section III.D.1, above, shall be spent within four years of completion of the Needs Assessment.

#### **E. OPEN SPACE COMPONENTS OF DEVELOPMENT.**

**1. Street-level plaza.** The Project will include a street-level plaza of approximately one-acre in size and open to the public.

**2. Other public spaces.** The Project will include several publicly-accessible open spaces, such as plazas, paseos, walkways, terraces, and lawns.

### **IV. COMMUNITY PROTECTION**

**A. PARKING PROGRAM.** The Developer shall assist the Coalition with the establishment of a residential permit parking program as set forth below.

**1. Permit Area.** The area initially designated as part of the Parking Program is generally bounded by James Wood Drive on the north, Byram and Georgia Streets on the west, Olympic Boulevard on the south and Francisco on the east. The permit area may be adjusted from time to time by mutual agreement of the Developer and the Coalition or upon action by the City determining the actual boundaries of a residential parking district in the vicinity of the Project.

**2. Developer Support.** The Developer shall support the Coalition's efforts to establish the parking program in the permit area by requesting the City to establish a residential permit parking district through a letter to City Council members and City staff, testimony before the City Council or appropriate Boards of Commissioners, and through technical assistance which reasonably may be provided by Developer's consultants.

To defray the parking program's costs to residents of the permit area, the Developer shall provide funding of up to \$25,000 per year for five years toward the cost of developing and implementing the parking program within the permit area. Such funding shall be provided to the City.

**3. Limitations.** The Coalition understands, acknowledges and hereby agrees that the City's determination of whether to establish a residential permit parking district and the boundaries thereof are within the City's sole discretion. The Developer is not liable for any action or inaction on the part of the City as to establishment of a residential permit parking district or for the boundaries thereof. The Coalition understands, acknowledges and hereby agrees that the total annual aggregate cost of a residential permit parking district may exceed \$25,000 per year and that in such event, the Developer shall have no liability for any amounts in excess of \$25,000 per year for five years.

**B. TRAFFIC.** The Developer in consultation with the Coalition shall establish a traffic liaison to assist the Figueroa Corridor community with traffic issues related to the Project.

**C. SECURITY.** The Developer shall encourage the South Park Western Gateway Business Improvement District to address issues of trash disposal and community safety in the residential areas surrounding the Project. The Developer shall request the BID to provide additional trash receptacles in the vicinity of the Project, including receptacles located in nearby residential areas.

## **V. LIVING WAGE PROGRAM**

### **A. DEVELOPER RESPONSIBILITIES REGARDING LIVING WAGES.**

**1. Compliance With Living Wage Ordinance.** The Developer, Tenants, and Contractors shall comply with the City's Living Wage Ordinance, set forth in the Los Angeles Administrative Code, Section 10.37, to the extent such ordinance is applicable.

**2. Seventy Percent Living Wage Goal.** The Developer shall make all reasonable efforts to maximize the number of living wage jobs in the Project. The Developer and the Coalition agree to a Living Wage Goal of maintaining 70% of the jobs in the Project as living wage jobs. The Developer and the Coalition agree that this is a reasonable goal in light of all of the circumstances. Achievement of the Living Wage Goal shall be measured five years and ten years from the date of this Agreement. In the event that actual performance is less than 80% of the goal for two

consecutive years, Developer shall meet and confer with the Coalition at the end of such two year period to determine mutually agreeable additional steps which can and will be taken to meet the Living Wage Goal.

**3. Achievement of Living Wage Goal.** For purposes of determining the percentage of living wage jobs in the Project, the following jobs shall be considered living wage jobs:

- jobs covered by the City's Living Wage Ordinance;
- jobs for which the employee is paid on a salaried basis at least \$16,057.60 per year if the employee is provided with employer-sponsored health insurance, or \$18,657.60 per year otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance);
- jobs for which the employee is paid at least \$7.72 per hour if the worker is provided with employer-sponsored health insurance, or \$8.97 per hour otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance); and
- jobs covered by a collective bargaining agreement.

The percentage of living wage jobs in the Project will be calculated as the number of on-site jobs falling into any of the above four categories, divided by the total number of on-site jobs. The resulting number will be compared to the Living Wage Goal to determine whether the Living Wage Goal has been achieved.

**4. Developer Compliance If Goal Not Met.** Whether or not the Living Wage Goal is being met at the five- and ten-year points, the Developer shall be considered to be in compliance with this Section if it is in compliance with the remaining provisions of this Section.

**5. Reporting Requirements.** The Developer will provide an annual report to the City Council's Community and Economic Development Committee on the percentage of jobs in the Project that are living wage jobs. The report will contain project-wide data as well as data regarding each employer in the Project. Data regarding particular employers will not include precise salaries; rather, such data will only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section V.A.3, above. If the report indicates that the Living Wage Goal is not being met, the Developer will include as part of the report a discussion of the reasons why that is the case. In compiling this report, Developer shall be entitled to rely on information provided by Tenants and Contractors, without responsibility to perform independent investigation. This report shall be filed for any given year or partial year by April 30th of the succeeding year.

## **6. Selection of Tenants.**

**a. Developer Notifies Coalition Before Selecting Tenants.** At least 45 days before signing any lease agreement or other contract for space within the Project, the Developer shall notify the Coalition that the Developer is considering entering into such lease or contract, shall notify the Coalition of the identity of the prospective Tenant, and shall, if the Coalition so requests, meet with the Coalition regarding the prospective Tenant's impact on the 70% living wage goal. If exigent circumstances so require, notice may be given less than 45 days prior to signing such a lease agreement or other contract; however, in such cases the Developer shall at the earliest possible date give the Coalition notice of the identity of the prospective Tenant, and, if the Coalition requests a meeting, the meeting shall occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract.

**b. Coalition Meeting with Prospective Tenants.** At least 30 days before signing a lease agreement or other contract for space within the Proposed Development, the Developer will arrange and attend a meeting between the Coalition and the prospective Tenant, if the Coalition so requests. At such a meeting, the Coalition and the Developer will discuss with the prospective Tenant the Living Wage Incentive Program and the Health Insurance Trust Fund, and will assist the Coalition in encouraging participation in these programs. If exigent circumstances so require, such a meeting may occur less than 30 days prior to the signing of a lease agreement; however, in such cases the meeting shall be scheduled to occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract. The Developer will not enter into a lease agreement with any prospective Tenant that has not offered to meet with the Coalition and the Developer regarding these issues prior to signing of the lease.

**c. Consideration of Impact on Living Wage Goal.** When choosing between prospective Tenants for a particular space within the Project, the Developer will, within commercially reasonable limits, take into account as a substantial factor each prospective Tenant's potential impact on achievement of the Living Wage Goal.

**d. Tenants Agree to Reporting Requirements.** Tenants are not required to participate in the Living Wage Incentive Program or the Health Insurance Trust Fund. However, all Tenants in the Project shall make annual reports as set forth in Section V.B.3, below. The Developer will include these reporting requirements as a material term of all lease agreements or other contracts for space within the Project.

## **B. TENANTS' OPPORTUNITIES AND RESPONSIBILITIES.**

**1. Living Wage Incentive Program.** All Tenants will be offered the opportunity to participate in a Living Wage Incentive Program. Tenants are not required to participate in this program, but may choose to participate. Under the Living Wage Incentive Program, Tenants providing living wage jobs may receive various benefits of substantial economic value. The Coalition, the Developer, and the City will collaborate to structure a set of incentives, at no cost to the Developer, to assist the Project in meeting the Living Wage Goal. The Living Wage Incentive Program shall be described in a simple and accessible written format suitable for presentation to prospective Tenants. The Coalition, working collaboratively with the Developer, shall seek funding from governmental and private sources to support the incentives and benefits provided in the Living Wage Incentive Program.

**2. Health Insurance Trust Fund.** All Tenants will be offered the opportunity to participate in the Health Insurance Trust Fund. Tenants are not required to participate in this program, but may choose to participate. The Health Insurance Trust Fund, still being established by the City, will provide Tenants with a low-cost method of providing employees with basic health insurance.

**3. Reporting Requirements.** Each Tenant in the Project must annually report to the Developer its number of on-site jobs, the percentage of these jobs that are living wage jobs, and the percentage of these jobs for which employees are provided health insurance by the Tenant. Tenants need not include precise salaries in such reports; rather, with regard to wages, Tenants need only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section V.A.3, above. Such reports shall be filed for any given year or partial year by January 31st of the succeeding year.

**C. TERM.** All provisions and requirements of this Section shall terminate and become ineffective for each Tenant ten years from the date of that Tenant's first annual report submitted pursuant to Section V.B.3, above.

## **VI. LOCAL HIRING AND JOB TRAINING**

**A. PURPOSE.** The purpose of this Section is to facilitate the customized training and employment of targeted job applicants in the Project. Targeted job applicants include, among others, individuals whose residence or place of employment has been displaced by the STAPLES Center project, low-income individuals living within a three-mile radius of the Project, and individuals living in low-income areas throughout the City. This Section (1) establishes a mechanism whereby targeted job applicants will receive job training in the precise skills requested by employers in the Project, and (2) establishes a non-exclusive system for referral of targeted job applicants to employers in the Project as jobs become available.

**B. CUSTOMIZED JOB TRAINING PROGRAM.** The First Source Referral System, described below, will coordinate job training programs with appropriate

community-based job training organizations. Prior to hiring for living wage jobs within the Project, employers may request specialized job training for applicants they intend to hire, tailored to the employers' particular needs, by contacting the First Source Referral System. The First Source Referral System will then work with appropriate community-based job training organizations to ensure that these applicants are provided with the requested training.

**C. FIRST SOURCE HIRING POLICY.** Through the First Source Hiring Policy, attached hereto as attachment No. 1, qualified individuals who are targeted for employment opportunities as set forth in Section IV.D of the First Source Hiring Policy will have the opportunity to interview for job openings in the Project. The Developer, Contractors, and Tenants shall participate in the First Source Hiring Policy, attached hereto as Attachment No. 1. Under the First Source Hiring Policy, the First Source Referral System will promptly refer qualified, trained applicants to employers for available jobs. The Developer, Contractors, and Tenants shall have no responsibility to provide notice of job openings to the First Source Referral System if the First Source Referral System is not fulfilling its obligations under the First Source Hiring Policy. The terms of the First Source Hiring Policy shall be part of any deed, lease, or contract with any prospective Tenant or Contractor.

**D. FIRST SOURCE REFERRAL SYSTEM.** The First Source Referral System, to be established through a joint effort of the Developer and the Coalition, will work with employers and with appropriate community-based job training organizations to provide the referrals described in this Section. The Coalition and the Developer will select a mutually agreeable nonprofit organization to staff and operate the First Source Referral System, as described in the First Source Hiring Policy. The Developer will provide \$100,000 in seed funding to this organization. The Developer will meet and confer with the Coalition regarding the possibility of providing space on site for the First Source Referral System, for the convenience of Tenants and job applicants; provided, however, the Developer may in its sole and absolute discretion determine whether or on what terms it would be willing to provide space for the First Source Referral System. If the First Source Referral System becomes defunct, Employers shall have no responsibility to contact it with regard to job opportunities.

## **VII. SERVICE WORKER RETENTION**

**A. SERVICE CONTRACTOR WORKER RETENTION.** The Developer and its Contractors shall follow the City's Worker Retention Policy as set forth in the Los Angeles Administrative Code, Section 10.36. The City's Worker Retention Policy does not cover individuals who are managerial or supervisory employees, or who are required to possess an occupational license.

**B. WORKER RETENTION FOR HOTEL AND THEATER EMPLOYEES.** The Developer agrees that Tenants in hotel and theater components of the Project will follow the City's Worker Retention Policy with regard to all employees, and will require contractors to do the same. The Developer will include these

requirements as material terms of all lease agreements or other contracts regarding hotel and/or theater components of the Project.

**C. INCLUSION IN CONTRACTS.** The Developer shall include the requirements of this section as material terms of all contracts with Contractors and with Tenants in hotel and theater components of the Project, with a statement that such inclusion is for the benefit of the Coalition.

## **VIII. RESPONSIBLE CONTRACTING**

**A. DEVELOPER SELECTION OF CONTRACTORS.** The Developer agrees not to retain as a Contractor any business that has been declared not to be a responsible contractor under the City's Contractor Responsibility Program (Los Angeles Administrative Code, Section 10.40.)

**B. DEVELOPER SELECTION OF TENANTS.** The Developer agrees that before entering into or renewing a lease agreement regarding any space over fifteen thousand (15,000) square feet, the Developer shall obtain from any prospective Tenant a written account of whether the prospective Tenant has within the past three years been found by a court, an arbitrator, or an administrative agency to be in violation of labor relations, workplace safety, employment discrimination, or other workplace-related laws. When choosing between prospective Tenants for a particular space within the Project, the Developer will, within commercially reasonable limits, take into account as a substantial factor weighing against a prospective Tenant any findings of violations of workplace-related laws. In complying with this Section, the Developer shall be entitled to rely on information provided by Tenants, without responsibility to perform independent investigation.

**C. REPORTING REQUIREMENTS.** The Developer will provide an annual report to the Coalition and to the City Council's Community and Economic Development Committee on the percentage of new lease agreements or other contracts regarding use of space within the Project that were entered into with entities reporting violations of workplace-related laws. In compiling this report, Developer shall be entitled to rely on information provided by Tenants and Contractors, without responsibility to perform independent investigation. The report may aggregate information from various End Users, so as not to identify any particular Tenant. This report shall be filed for any given year or partial year by April 30th of the succeeding year, and may be combined with the report regarding living wages, required to be filed by Section V.B.3.

## **IX. AFFORDABLE HOUSING**

**A. PURPOSE.** Developer has included between 500 and 800 housing units as part of the Project. The goal is create an "inclusionary" development; *i.e.* the project will include an affordable housing component (the "Affordable Housing Program") as set forth in this Section.

**B. DEVELOPER AFFORDABLE HOUSING PROGRAM.** This Developer Affordable Housing Program exceeds requirements of state law and the Agency. To further its connection to the surrounding neighborhoods, the Developer

proposes to work with community-based housing developers to implement much of the plan.

**1. Percentage Affordable Units.** The Developer shall develop or cause to be developed affordable housing equal to 20% of the units constructed within the Project, as may be adjusted under Section IX.D., below, through joint efforts with community-based organizations to create additional affordable units as provided in Section IX.C, below. The Developer intends to include between 500 and 800 units in the Project; therefore, the Developer's affordable housing commitment would be between 100 and 160 units, as may be adjusted under Section IX.D below.

**2. Income Targeting** The distribution of affordable units shall be as follows:

- a. 30% affordable to families earning zero to 50% of Area Median Income ("AMI");
- b. 35% affordable to families earning 51% to 60% of AMI;
- c. 35% affordable to families earning 61% to 80% of AMI.

**3. Term of Affordability.** Affordable units will remain affordable for a minimum of 30 years.

**4. Location.** Affordable units may be built within the Project or off-site. Units built off site will be located in redevelopment areas within a three-mile radius from the intersection of 11<sup>th</sup> and Figueroa Streets. To the extent the Agency provides direct financial assistance in the creation of affordable units, 50% of the affordable units shall be constructed within the Project if required by the Agency.

**5. Unit and Project Type.** Given the high density of the proposed on-site high-rise housing, any inclusionary units within the Project will be two-bedroom units. Three- and four-bedroom units may be developed at offsite locations that are more appropriate to accommodate larger units and families. In connection with any off-site affordable units, Developer shall give priority consideration to creation of projects suitable for families in terms of unit size, location, and proximity to family-serving uses and services.

**6. Relocated Persons.** To the extent allowed by law, priority shall be given to selecting persons relocated in connection with the development of the STAPLES Center to be tenants in any affordable units created under this Section IX. Notice of availability of affordable units shall be given to such relocated persons as set forth in Section X.D.

**7. Public Participation and Assistance.** Nothing herein shall limit the right of the Developer to seek or obtain funding or assistance from any federal, state or local governmental entity or any non-profit organization in connection with the creation or rehabilitation of affordable units.

## **C. COOPERATIVE DEVELOPMENT WITH COMMUNITY BASED ORGANIZATIONS**

**1. Purpose.** In addition to development of affordable housing on-site or off-site, Developer shall work cooperatively with community based organizations to in an effort to provide additional affordable housing units. The goal of this program is to identify affordable housing infill development opportunities within a 1.5-mile radius of Figueroa and 11<sup>th</sup> Street and to affiliate with well-established non-profit affordable housing development corporations in the area.

**2. Interest Free Loans.** As “seed money” for affordable housing development, within 2 years after receiving final entitlement approvals for the Project, Developer will provide interest-free loans in the aggregate amount not to exceed \$650,000 to one or more non-profit housing developers that are active in the Figueroa Corridor area and are identified in the Section VI.D.3, below, or are mutually agreed upon by the Developer and the Coalition. Repayment of principal repayment shall be due in full within three (3) years from the date the loan is made. Provided that the loan or loans have been timely repaid, such repaid amounts may be loaned again to one or more non-profit housing developers; however, it is understood that all loans will be repaid within six (6) years from the date the first loan was made. In addition, the loans shall be on such other commercially reasonable terms consistent with the purposes of this Section IX.C.

**3. Prequalified Non-Profit Development Corporations.** The following non-profit community based organizations are eligible to seek to participate in this cooperative program:

- a. Esperanza Development Corporation - Sister Diane Donoghue
- b. 1010 Hope Development Corporation - DarEil Weist
- c. Pueblo Development Corporation- Carmela Lacayo
- d. Pico Union Development Corporation - Gloria Farias

**4. Use of Program Funds.** The interest free loans may be used by the selected organizations for the following purposes:

- a. Land acquisition/option/due diligence.
- b. To focus on existing buildings to substantially rehabilitate or to acquire small infill sites capable of supporting approximately 40 or more units.
- c. Entitlement and design feasibility studies.
- d. Financial analysis and predevelopment studies.
- e. Funding applications and initial legal expenses.
- f. Other expenses reasonably approved by Developer to secure full

funding agreements

## 5. Project Selection Process

- a. Within 90 days following Project approvals, Developer will meet and confer with principals of each non-profit listed in Section IX.C.3, above to gain a comprehensive understanding of the capabilities and capacity of each organization and ability to obtain financing support.
  - b. Within 6 months following Project approvals, Developer will request proposals from each non-profit organization, which may include one or more prospective sites and use best efforts to identify one or more projects to pursue.
  - c. Developer shall consult with and seek the input of the Coalition in the selection of the nonprofit housing developer or developers. Developer shall enter into a loan agreement with any selected nonprofit housing developer to provide the interest free loan as set forth in this Section IX.C.
- **ADJUSTMENTS TO AFFORDABLE HOUSING UNITS.** The assistance provided by Developer under Section IX.C may result in production of affordable units substantially in excess of 20%. Further, the Coalition has a goal of at least 25% affordable units. Therefore, for every two units of affordable housing (including both rehabilitation or new construction) created by the non-profit developer or developers with the assistance of Developer under Section IX.C in excess of 25%, Developer shall receive a credit of one unit toward Developer's obligation to create affordable housing units; provided, however, that Developer's overall obligation for affordable housing units shall not be less than 15% due to any such reduction.
  - In the event that no affordable units are created under the cooperative program established in Section IX.C, above, through no fault of the Developer and the Developer is unable to recoup all or a portion of the loan or loans, the Developer's obligation to create affordable units shall be reduced by one unit for each \$10,000 of unrecouped loans; provided, however that Developer's overall obligation for affordable housing units shall not be less than 15% of the housing due to any such reduction.

## X. RELOCATED FAMILIES

**A. PURPOSE.** The purpose of this Section is to address problems that may be faced by families that were relocated by the Agency in connection with the development of the STAPLES Center. Many such families can no longer afford their current housing due to the expiration of the relocation assistance provided by the Agency.

**B. MEET AND CONFER.** The Developer agrees to meet and confer with the Coalition, City Councilmembers, Agency board and staff, and other City staff in

effort to seek and obtain permanent affordable housing for families relocated in connection with the development of the STAPLES Center. Meetings with the Coalition shall be held quarterly, or less frequently if mutually agreed by the Coalition and the Developer. Meetings with City Councilmembers, Agency board and staff, and other City staff will be held as necessary. The Developer's responsibilities under this section will terminate five years from the effective date of the Cooperation Agreement.

**C. ASSISTANCE.** The Developer will generally assist the Coalition to seek and obtain permanent affordable housing for relocated families. Developer will speak in favor of such efforts at least two appropriate public meetings and hearings when requested to do so by the Coalition. The Developer will use commercially reasonable efforts to provide technical assistance to the Coalition.

**D. NOTICE OF AVAILABILITY.** For a period of three years, Developer shall use good faith efforts to cause the Agency to give, to the fullest extent allowed by law, 30 days notice of availability of affordable units created by the Project to persons relocated in connection with construction of STAPLES Center and to provide such relocated persons the first opportunity to apply as potential tenants. Persons eligible for such notice shall be relocated persons who are not tenants in a permanent affordable housing project and who otherwise meet income and other requirements for affordable housing.

**E. TIMING.** Permanent affordable housing for relocated families is an urgent matter and, therefore, time is of the essence. Consequently, Developer's obligations under this Section X, shall begin within five days following execution of the Settlement Agreement.

## **XI. COALITION ADVISORY COMMITTEE**

To assist with implementation of this Community Benefits Program, address environmental concerns and facilitate an ongoing dialogue between the Coalition and the Developer, the Coalition and the Developer shall establish a working group of representatives of the Coalition and the Developer, known as the Advisory Committee. This Advisory Committee shall meet quarterly, unless it is mutually agreed that less frequent meetings are appropriate. Among other issues, the Developer shall seek the input of the Advisory Committee in the Developer's preparation of the construction management plan, the traffic management plan, the waste management plan and the neighborhood traffic protection plan. In addition, the Developer shall seek the input of the Advisory Committee in a effort to develop and implement potential solutions to other environmental concerns, including without limitation, pedestrian safety, air quality and green building principles.

## **XII. GENERAL PROVISIONS**

**A. SEVERABILITY CLAUSE.** If any term, provision, covenant, or condition of this Community Benefits Program is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect.

**B. Material Terms.** All provisions and attachments of this Community Benefits Program are material terms of this Community Benefits Program.

**Attachment 1**  
**FIRST SOURCE HIRING POLICY**

**SECTION I. PURPOSE.**

The purpose of this First Source Hiring Policy is to facilitate the employment of targeted job applicants by employers in the Los Angeles Sports and Entertainment District. It is a goal of this First Source Hiring Policy that the First Source Referral System contemplated herein will benefit employers in the project by providing a pool of qualified job applicants whose job training has been specifically tailored to the needs of employers in the project through a non-exclusive referral system.

**SECTION II. DEFINITIONS.**

As used in this policy, the following capitalized terms shall have the following meanings. All definitions include both the singular and plural form.

“City” shall mean the City of Los Angeles and any of its departments and/or agencies.

“Developer” shall mean the L.A. Arena Land Company and Flower Holdings, LLC. and their Transferees.

“Project” shall mean the Los Angeles Sports and Entertainment District.

“Employer” shall mean a business or nonprofit corporation that conducts any portion of its operations within the Project; provided, however, this First Source Hiring Policy shall only apply to any such portion of operations within the Project.. Employer includes but is not limited to lessees, landowners, and businesses performing contracts on location at the Project. All “Employers” are “Covered Entities,” as defined above.

“First Source Referral System” shall mean the system developed and operated to implement this First Source Hiring Policy, and the nonprofit organization operating it.

“Low-Income Individual” shall mean an individual whose household income is no greater than 80% of the median income for the Standard Metropolitan Statistical Area.

“Targeted Job Applicants” shall mean job applicants described in Section IV.D, below.

“Transferee” shall mean a person or entity that acquires a fee simple interest or a ground lease from the Developer for the purpose of developing all or any portion of the Proposed Development.

**SECTION III. EMPLOYER RESPONSIBILITIES**

**A. Coverage.** This First Source Hiring Policy shall apply to hiring by Employers for all jobs for which the work site is located within the Project, except for jobs for which hiring procedures are governed by a collective bargaining agreement which conflicts with this First Source Hiring Policy.

**B. Long-Range Planning.** Within a reasonable time after the information is available following execution by of a lease by Developer and Employer for space within the Project, the Employer shall provide to the First Source Referral System regarding the approximate number and type of jobs that will need to be filled and the basic qualifications necessary.

**C. Hiring process.**

**(1) Notification of job opportunities.** Prior to hiring for any job for which the job site will be in the Project, the Employer will notify the First Source Referral System of available job openings and provide a description of job responsibilities and qualifications, including expectations, salary, work schedule, duration of employment, required standard of appearance, and any special requirements (e.g. language skills, drivers' license, etc.). Job qualifications shall be limited to skills directly related to performance of job duties, in the reasonable discretion of the Employer.

**(2) Referrals.** The First Source Referral System will, as quickly as possible, refer to the Employer Targeted Job Applicants who meet the Employer's qualifications. The First Source Referral System will also, as quickly as possible, provide to the Employer an estimate of the number of qualified applicants it will refer.

**(3) Hiring.** The Employer may at all times consider applicants referred or recruited through any source. When making initial hires for the commencement of the Employer's operations in the Project, the Employer will hire only Targeted Job Applicants for a three-week period following the notification of job opportunities described in subparagraph III.C.1, above. When making hires after the commencement of operations in the Project, the Employer will hire only Targeted Job Applicants for a five-day period following the notification of job opportunities. During such periods Employers may hire Targeted Job Applicants recruited or referred through any source. During such periods Employers will use normal hiring practices, including interviews, to consider all applicants referred by the First Source Referral System. After such periods Employers shall make good-faith efforts to hire Targeted Job Applicants, but may hire any applicant recruited or referred through any source.

**E. Goal.** Any Employer who has filled more than 50% of jobs available either during a particular six-month period with Targeted Job Applicants (whether referred by the First Source Referral System or not), shall be deemed to be in compliance with this First Source Hiring Policy for all hiring during that six-month period. Any Employer who has complied with remaining provisions of this First Source Hiring Policy is in compliance with this First Source Hiring Policy even it has not met this 50% goal during a particular six-month period.

**F. No Referral Fees.** Employers shall not be required to pay any fee, cost

or expense of the First Source Referral System or any potential employees referred to the Employer by the First Source Referral System in connection with such referral.

#### **SECTION IV. RESPONSIBILITIES OF FIRST SOURCE REFERRAL SYSTEM.**

The First Source Referral System will perform the following functions related to this First Source Hiring Policy:

- A.** Receive Employer notification of job openings, immediately initiate recruitment and pre-screening activities, and provide an estimate to Employers of the number of qualified applicants it is likely to refer, as described above.
- B.** Recruit Targeted Job Applicants to create a pool of applicants for jobs who match Employer job specifications.
- C.** Coordinate with various job-training centers.
- D.** Screen and refer Targeted Job Applicants according to qualifications and specific selection criteria submitted by Employers. Targeted Job Applicants shall be referred in the following order:
  - (1) First Priority:** individuals whose residence or place of employment has been displaced by the STAPLES Center project or by the initial construction of the project and Low-Income Individuals living within a one-half-mile radius of the Project.
  - (2) Second Priority:** Low-Income Individuals living within a three-mile radius of the Project.
  - (3) Third Priority:** Low-Income Individuals living in census tracts or zip codes throughout the City for which more than 80% of the households, household income is no greater than 80% of the median household income for the Standard Metropolitan Statistical Area.
- E.** Maintain contact with Employers with respect to Employers' hiring decisions regarding applicants referred by the First Source Referral System.
- F.** Assist Employers with reporting responsibilities as set forth in Section V of this First Source Hiring Policy, below, including but not limited to supplying reporting forms and recognizing Targeted Job Applicants.
- G.** Prepare and submit compliance reports to the City as set forth in Section V of this First Source Hiring Policy, below.

#### **SECTION V. REPORTING REQUIREMENTS.**

- A. Reporting Requirements and Recordkeeping.**

**(1) Reports.** During the time that this First Source Hiring Policy is applicable to any Employer, that Employer shall, on a quarterly basis, notify the First Source Referral System of the number, by job classification, of Targeted Job Applicants hired by the Employer during that, quarter and the total number of employees hired by the Employer during that quarter. The First Source Referral System shall submit annual aggregate reports for all Employers to the City, with a copy to the Coalition, detailing the employment of Targeted Job Applicants in the Project.

**(2) Recordkeeping.** During the time that this First Source Hiring Policy is applicable to any Employer, that Employer shall retain records sufficient to report compliance with this First Source Hiring Policy, including records of referrals from the First Source Referral System, job applications, and number of Targeted Job Applicants hired. To the extent allowed by law, and upon reasonable notice, these records shall be made available to the City for inspection upon request. Records may be redacted so that individuals are not identified by name and so that other confidential information is excluded.

**(3) Failure to Meet Goal.** In the event an Employer has not met the 50% goal during a particular six-month period, the City may require the Employer to provide reasons it has not met the goal and the City may determine whether the Employer has nonetheless adhered to this Policy.

## **SECTION VI. GENERAL PROVISIONS.**

**A. Term.** This First Source Hiring Policy shall be effective with regard to any particular Employer until five years from the date that Employer commenced operations within the Project.

**B. Meet & Confer, Enforcement.** If the Coalition, the First Source Referral System, or the City believes that an Employer is not complying with this First Source Hiring Policy, then the Coalition, the First Source Referral System, the City, and the Employer shall meet and confer in a good faith attempt to resolve the issue. If the issue is not resolved through the meet and confer process within a reasonable period of time, the City may enforce the First Source Hiring Policy against the Developer as a term of any agreement between the City and the Developer into which the First Source Hiring Policy has been incorporated.

### **C. Miscellaneous.**

**(1) Compliance with State and Federal Law.** This First Source Hiring Policy shall only be enforced to the extent that it is consistent

with the laws of the State of California and the United States. If any provision of this First Source Hiring Policy is held by a court of law to be in conflict with state or federal law, the applicable law shall prevail over the terms of this First Source Hiring Policy, and the conflicting provisions of this First Source Hiring Policy shall not be enforceable.

**(2) Indemnification.** The First Source Referral System shall, jointly and severally, indemnify, hold harmless and defend the Developer and any Employer, and their officers, directors, partners, agents, employees and funding sources, if required by any such funding source (the "Indemnified Parties") from and against all fines, suits, liabilities, proceedings, claims, costs, damages, losses and expenses, including, but not limited, to attorney's fees and court costs, demands, actions, or causes of action, of any kind and of whatsoever nature, whether in contract or in tort, arising from, growing out of, or in any way related to the breach by the First Source Referral System or their affiliates, officers, directors, partners, agents, employees, subcontractors (the "First Source Parties") of the terms and provisions of this First Source Hiring Policy or the negligence, fraud or willful misconduct of First Source Parties. The indemnification obligations of the First Source Parties shall survive the termination or expiration of this First Source Hiring Policy, with respect to any claims arising as the result of events occurring during the effective term of this First Source Hiring Policy .

**(3) Compliance with Court Order.** Notwithstanding the provisions of this Policy, the Developer, Employers, Contractors, or Subcontractors shall be deemed to be in compliance with this First Source Hiring Policy if subject to by a court or administrative order or decree, arising from a labor relations dispute, which governs the hiring of workers and contains provisions which conflict with terms of this Policy.

**(4) Severability Clause.** If any term, provision, covenant, or condition of this First Source Hiring Policy is held by a court of competent jurisdiction to be invalid, void, or unenforceable, the remainder of the provisions shall continue in full force and effect.

**(5) Binding on Successors.** This First Source Hiring Policy shall be binding upon and inure to the benefit of the heirs, administrators, executors, successors in interest, and assigns of each of the parties. Any reference in this Policy to a specifically named party shall be deemed to apply to any successor in interest, heir, administrator, executor, or assign of such party.

**(6) Material Terms.** The provisions of this First Source Hiring Policy are material terms of any deed, lease, or contract in which it is included.

**(7) Coverage.** All entities entering into a deed, lease, or contract relating to the rental, sale, lease, use, maintenance, or operation of the Project or part thereof shall be covered by the First Source Hiring Policy, through the incorporation of this First Source Hiring Policy into the deed, lease, or contract. Substantive provisions set forth in Section III. "Employer Responsibilities," apply only to jobs for which the work site is located within the Project.

## Appendix B: Los Angeles Times Article About the Staples Deal

Los Angeles Times

Thursday, May 31, 2001

Page: A-1

# Community, Developers Agree on Staples Plan

**Deal: The proposed entertainment and sports district could become a model for urban partnerships.**

By: LEE ROMNEY

TIMES STAFF WRITER

Ending the threat of widespread opposition, the developers of a major hotel and entertainment center around Staples Center have agreed to an unprecedented package of concessions demanded by community groups, environmentalists and labor.

The developers—including billionaire Philip Anschutz and media mogul Rupert Murdoch—agreed to hire locally, provide "living wage jobs" and build affordable housing and new parks. The deal is scheduled to be announced today after months of confidential negotiations.

The billion-dollar project is seen as vital to the revitalization of downtown Los Angeles. Known as the L.A. Sports and Entertainment District, it would be anchored by a 45-story hotel with at least 1,200 rooms at Olympic Boulevard and Georgia Street. The project also would include a 7,000-seat theater for musicals, award shows and other live entertainment. Restaurants, nightclubs and retail stores would be built around a plaza.

A 250,000-square-foot expansion of the adjacent Los Angeles Convention Center also is in the plan, as well as two apartment towers with a total of 800 units and a second smaller hotel.

The deal brokered with the coalition of activist groups, unions and residents, which will become part of the development agreement, is believed to be the first of its kind nationwide to take such a broad array of community concerns into account, according to economic and community development experts. Union and neighborhood leaders are hopeful that it will serve as a blueprint for similar projects, particularly when hefty public subsidies are involved.

"I've never heard of an agreement that's as comprehensive as this," said Greg LeRoy, director of the Washington-based Good Jobs First, a national clearinghouse that tracks the public benefits of economic development projects. "What's unusual here is that [housing, employment and open-space provisions are] all together. . . . It's really a model."

The development partnership, led by the Los Angeles Arena Land Co., also owns Staples Center. That project received Los Angeles city approval in 1997 on the condition that the developers eventually build the massive complex to help the Convention Center attract more business.

But community opposition posed a serious threat, in part because the hotel project likely will

require a city subsidy that could exceed \$75 million. While scattered resistance may yet emerge, the developers now can claim the backing of the groups most affected by the development, including 29 community groups, about 300 predominantly immigrant residents of the neighborhood and five labor unions.

"I think the City Council has to be pleased with that . . . because those are the people who will be most impacted," said John Sheppard, land use planning deputy to Councilwoman Rita Walters, who represents the neighborhood and arranged the first meeting between community groups and Arena Land President Tim Leiweke last fall.

Next week's city elections added urgency to the mix. Marching orders for Ted Tanner, senior vice president of Staples Center and Arena Land--the main developer--were to secure all city entitlements by the end of June. Getting the community on board, and avoiding a protracted fight, was "extremely important," he said.

The city Planning Commission approved the plan May 23. It is scheduled for a vote before the Community Redevelopment Agency next week and then moves to City Council.

The approach on both sides of the table stands in marked contrast to the way things went down when Staples Center rose from the ground just two years ago. Then, the community was neither organized nor informed enough to act, and Staples officials now concede they were insensitive to community needs.

Still, the new deal did not come easy. Many coalition members are more accustomed to protest than to the 100 hours of labor-style negotiations that ultimately produced the package. Early relations were rocky. When Leiweke canceled plans to attend the first meeting with residents last October, organizers placed his name placard on an empty chair, addressing him angrily in his absence.

But the tone changed over time as mutual trust built. By March, Tanner--who had been anointed lead negotiator by Leiweke--delivered an update to residents in accented Spanish, and was met with applause.

Tanner said the difficulty in negotiations was in striking a balance--to meet the demands of the coalition without burdening the development or its tenants with costly conditions not required elsewhere.

"Our goal in continuing negotiations was to win true support and advocacy for the project," said Tanner, an architect who early in his career sat across the table from community groups on urban planning projects in Philadelphia. "Their goal was the same--to see if we could make this project better and improve benefits for the community."

For community groups, unions and residents, however, the deal has even broader implications. The effort, they say, has yielded the most tangible results yet of a nascent strategy to serve the overall interests of neighborhoods.

"It's a huge step forward," said Madeline Janis-Aparicio, executive director of the Los Angeles Alliance for a New Economy and one of the lead community negotiators. "Bringing all these groups together showed how housing relates to jobs relates to environment. These are holistic people with holistic needs, and to have a developer take that into account . . . is just amazing."

Among the highlights of the deal:

\* More than \$1 million for the creation or improvement of parks within a mile of the project, with community input; a one-acre public plaza and other public open space.

\* At least 70% of the estimated 5,500 permanent jobs to be created by the project—including those offered by tenants—will pay a living wage or better. Those are defined as paying \$7.72 an hour with benefits or \$8.97 without, or covered by collective bargaining agreement. The deal also calls on the developer to notify the coalition 45 days before signing tenant lease agreements.

\* A local hiring and job training program for those displaced by the arena, living within three miles of the project or living in low-income areas citywide. Developers will give \$100,000 in seed funding to create specialized job training programs through local community groups and ensure that appropriate residents are notified first of jobs.

\* A residential parking permit program, financed by developers for five years, that will reserve street parking for residents. Common in affluent areas, officials say it will become the first parking permit zone in a low-income neighborhood.

\* Construction of between 100 and 160 affordable housing units, or 20% of the total project. Those will be affordable to residents earning below 50%, 60% and 80% of the area's median income. The units exceed Community Redevelopment Agency requirements in number and serve families with lower incomes. Developers also will provide up to \$650,000 in interest-free loans for nonprofit housing developers in the early stages of developing projects in the area.

Some of the 29 community groups that came together as the Figueroa Corridor Coalition for Economic Justice had worked together before, helping to organize union efforts at USC. The alliance broadened beginning last summer to include everyone from local churches and housing activists to environmentalists, tenant organizers and immigrant rights groups.

Meanwhile, residents began to organize too, coming together to air concerns over conditions around the existing arena, where reckless drivers, costly parking tickets, and vandalism have plagued their lives.

Labor, too, played a key role—with two unions representing hotel and restaurant workers and janitors joining the community coalition as part of an effort to expand their influence beyond wage issues.

They are among five unions negotiating jointly for union jobs and the right to organize at the new center under the direction of Los Angeles County Federation of Labor leader Miguel Contreras.

Realizing that the window of opportunity was small and closing, coalition members opted to link up with labor to further leverage their power, said Gilda Haas, director of Strategic Actions for a Just Economy, one of the lead organizations in the coalition.

When disagreements stymied the progress of the janitors' union, community negotiators stood in unison with labor. In turn, labor chimed in on issues such as affordable housing, which affects their membership but was not technically on their agenda.

"I kept thinking of this as two airplanes approaching an airport at the same time," said David

Koff, a hotel union research analyst who served as an official County Federation of Labor observer in the community negotiations. "The idea was to get both to make a soft landing at the same time."

The unions, which also represent parking lot attendants, stagehands and operating engineers, are expected to announce their finalized agreements soon. But labor sources said most of the core issues have been resolved, due in part to the coordinated approach to negotiations.

"What we're hoping is to get work, to get housing, to have a better way of living," said Manuel Pacheco Galvan, who hopes to trade his job at a Hollywood market for one closer to home. "Almost everything we asked for we got. . . . In the beginning it didn't seem possible, but now we see that it's a reality. This will mean some change for all of us."

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## Appendix C: Living Wage section of the No Ho Commons CBA

### SECTION VI. LIVING WAGE POLICY.

#### A. Developer Responsibilities Regarding Living Wages.

1. **Compliance With Living Wage Ordinance.** The Developer and Contractors shall comply with substantive provisions of the City's Living Wage Ordinance, set forth in the Los Angeles Administrative Code, Section 10.37.
2. **Seventy-Five Percent Living Wage Proportion.** The Developer shall make all reasonable efforts to maximize the number of living wage jobs in the Development. The Developer and the Coalition agree that at least 75% of the jobs in the Development will be living wage jobs. The Developer and the Coalition agree that this is a reasonable requirement in light of all of the circumstances. Achievement of the Living Wage Proportion shall be measured each year on January 1, but shall be reported biannually, as described in section VI.A.5, below. In the event that actual performance is less than 75% of the Living Wage Proportion for two consecutive years, Developer shall promptly meet and confer with the Coalition to determine mutually agreeable additional steps which can and will be taken to meet the Living Wage Proportion. Notwithstanding anything to the contrary, Developer's failure to meet the above mentioned 75% requirement shall not be a breach or default under this agreement or the Owners Participation Agreement. However if the Agency determines in its reasonable discretion that the Developer has not in any two calendar year period used reasonable efforts to meet the 75% requirement, then the Agency may assess a penalty of \$10,000 for each such applicable period. This penalty shall be the only liability that Developer shall have regarding the 75% Living Wage requirement.
3. **Exemption for Small Businesses.** Developer's responsibilities with regard to the Living Wage Proportion shall not apply to jobs at businesses that employ fewer than ten workers.
4. **Calculation of Proportion of Living Wage Jobs.** For purposes of determining the percentage of living wage jobs in the Development, the following jobs shall be considered living wage jobs:
  - jobs covered by the City's Living Wage Ordinance;
  - jobs for which the employee is paid on a salaried basis at least \$16,057.60 per year if the employee is provided with employer-sponsored health insurance, or \$18,657.60 per year otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance);
  - jobs for which the employee is paid at least \$7.99 per hour if the worker is provided with employer-sponsored health insurance, or \$9.24 per hour

otherwise (these amounts will be adjusted in concert with cost-of-living adjustments to wages required under the City's Living Wage Ordinance); and

- jobs covered by a collective bargaining agreement.

The percentage of living wage jobs in the Development will be calculated as the number of on-site jobs falling into any of the above four categories, divided by the total number of on-site jobs. No part of this calculation shall take into account jobs covered by the exemption for small businesses, described in section VI.A.3, above. The resulting number will be compared to the Living Wage Proportion to determine whether the Living Wage Proportion has been met.

**5. Reporting Requirements.** The Developer will provide a bi-annual report to the Agency on the percentage of jobs in the Development that are living wage jobs. The report will contain project-wide data as well as data regarding each employer in the Development. Data regarding particular employers will not include precise salaries; rather, such data will only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section VI.A.3, above. If the report indicates that the Living Wage Proportion is not being met, the Developer will include as part of the report a discussion of the reasons why that is the case. In compiling this report, Developer shall be entitled to rely on information provided by Tenants and Contractors, without responsibility to perform independent investigation. This report shall be filed for any given year or partial year by April 30th of the succeeding year.

**6. Selection of Tenants.**

**a. Developer Notifies Coalition Before Selecting Tenants.** At least 45 days before signing any lease agreement or other contract for space within the Development, the Developer shall notify the Coalition that the Developer is considering entering into such lease or contract, shall notify the Coalition of the identity of the prospective Tenant, and shall, if the Coalition so requests, meet with the Coalition regarding the prospective Tenant's impact on the 75% Living Wage Proportion. If exigent circumstances so require, notice may be given less than 45 days prior to signing such a lease agreement or other contract; however, in such cases the Developer shall at the earliest possible date give the Coalition notice of the identity of the prospective Tenant, and, if the Coalition requests a meeting, the meeting shall occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract.

**b. Coalition Meeting with Prospective Tenants.** At least 30 days before signing a lease agreement or other contract for space within the Proposed Development, the Developer will arrange and attend a meeting between the Coalition and the prospective Tenant, if the Coalition so

requests. At such a meeting, the Coalition and the Developer will discuss with the prospective Tenant the Living Wage Incentive Program and the Health Insurance Trust Fund, and will assist the Coalition in encouraging participation in these programs. If exigent circumstances so require, such a meeting may occur less than 30 days prior to the signing of a lease agreement; however, in such cases the meeting shall be scheduled to occur on the earliest possible date and shall in any event occur prior to the signing of the lease agreement or other contract.

**c. Consideration of Impact on Living Wage Proportion.** When choosing between prospective Tenants for a particular space within the Development, the Developer will reasonably take into account as a substantial factor each prospective Tenant's potential impact on achievement of the Living Wage Proportion.

**d. Tenants Agree to Reporting Requirements.** Tenants shall make annual reports as set forth in Section VI.B.3, below. The Developer will use best efforts to include these reporting requirements as a material term of all lease agreements or other contracts for space within the Development.

## **B. Tenants' opportunities and responsibilities.**

**1. Living Wage Incentive Program.** All Tenants will be offered the opportunity to participate in a Living Wage Incentive Program. Under the Living Wage Incentive Program, Tenants providing living wage jobs may receive various benefits of substantial economic value. At no cost to the Developer, without the Developer's prior and sole consent, the Coalition, the Developer, and the Agency will collaborate to attempt to structure a set of incentives to assist the Development in meeting the Living Wage Proportion. The Living Wage Incentive Program shall be described in a simple and accessible written format suitable for presentation to prospective Tenants. The Coalition, working collaboratively with the Developer, shall seek funding from governmental and private sources to support the incentives and benefits provided in the Living Wage Incentive Program.

**2. Health Insurance Trust Fund.** The Agency, the City and the Coalition are attempting to create a Health Insurance Trust Fund, which is intended to provide Tenants with a low-cost method of providing employees with basic health insurance. When available, all Tenants will be offered the opportunity to participate in the Health Insurance Trust Fund. Tenants are not required to participate in this program, but may choose to participate.

**3. Reporting Requirements.** Developer shall require each Tenant to annually report to the Developer its number of on-site jobs, the percentage of these jobs that are living wage jobs, and the percentage of these jobs for which employees are provided health insurance by the Tenant. Tenants need not include precise salaries in such reports; rather, with regard to wages, Tenants

need only include the number of jobs and the percentage of these jobs that are living wage jobs, as defined in Section VI.A.4, above. Such reports shall be filed for any given year or partial year by January 31st of the succeeding year.

## **Appendix D: Community Design Review Provisions of the SunQuest CBA**

### **SECTION IV. COMMUNITY DESIGN REVIEW.**

**A. Designs and Plans.** The Developer shall make available to the Coalition designs and plans setting forth in detail the aspects of the Project listed below. The Developer shall make available to the Coalition any designs and plans containing information on any of these aspects of the Project, including concept plans and final draft plans, as soon as such designs or plans are completed to the satisfaction of the Developer, but in any event at least two weeks prior to the Developer's submittal of such designs and plans to the City for approval.

1. Landscape plans, depicting in detail the visual appearance of the buildings, grounds, parking lot, and all external aspects of the Site, including plants and coloration of all surfaces.
2. Plans for parking areas, describing color of pavement, methods and materials used to affect temperature, drainage, maintenance, and irrigation systems for trees, plants, or other vegetation.
3. Design of buildings and surrounding grounds, including lighting, ventilation and irrigation systems.
4. Drainage plans, including both on-site and off-site drainage.
5. Traffic routing plans, describing entrances and exits, parking areas, loading docks, and so forth.
6. Maintenance plans for all external areas and surfaces at the Site, including trees and other landscaping elements.

**B. Community Design Review.** Within two weeks after any designs or plans are made available to the Coalition and prior to the Developer's submittal of such designs and plans to the City for approval, there shall be a meeting or meetings between the Developer and the Coalition to discuss the designs or plans in question if the Coalition so requests. Representatives from relevant City departments may be invited by the Coalition to attend these meetings. At these meetings, the Coalition may provide to the Developer recommendations on how to meet the design components including, but not limited to, those described in Section IV.C, below. Although the Coalition has no right to reject the designs or plans in question, the Developer must adequately meet the design criteria listed in Section IV.C, below.

**C. Design Components.** The Developer shall incorporate the following components and requirements into the design of the relevant aspects of the Project.

- 1. Mitigation Measures.** Developer shall take all mitigation measures required in the Mitigated Negative Declaration for the Project (No. MND-1999-3266-GPA/ZC(SCR)(SUB)).
- 2. Storm Drainage.** The Project shall be designed to ensure storm drainage adequate to prevent any runoff from the Site to surrounding streets.
- 3. Landscaping.** The Developer shall incorporate landscaping elements, irrigation elements, and trees as required in the Mitigated Negative Declaration for the Project (No. MND-1999-3266-GPA/ZC(SCR)(SUB)). The Project shall be designed so as to ensure adequate irrigation and soil for the health of trees, shrubs, and other ground cover. The Developer shall develop and implement a maintenance plan adequate to maintain the health and appearance of all landscaping elements.
- 4. Lot coverage.** The Developer shall ensure that no part of the Site shall have as its visible surface bare dirt, except during periods of active construction or landscaping.
- 5. Truck Routing.** The Project shall be designed so as to discourage commercial trucks from utilizing Telfer Street north of Branford Street to access the Site. The Project shall not incorporate an entrance from or an exit to Telfer Street north of Branford Street.
- 6. Avoidance of Heat Islands.** The Project shall be designed so as to minimize the "heat island" effect by designing roof and parking lot surfaces in a light color.
- 7. Avoidance of Vehicular Gas Inhalation.** The Project shall be designed and operated so as to minimize workers' exposure to smoke inhalation created by commercial trucks congregating at the Site. This shall be done by installing air curtains at doors that are in direct contact with potential sources of smoke inhalation.

## **Appendix E: Youth Center Provisions SunQuest CBA**

### **SECTION VII. YOUTH CENTER.**

The Developer agrees to provide facilities for a youth center in the Sun Valley Community for the purpose of providing accessible and quality recreational opportunities to youths in the Sun Valley Community. The Developer shall provide free of charge (i) a building shell for the Youth Center, totaling at least 4,000 square feet of indoor space and (ii) at least 10,000 square feet of outdoor space. The Developer agrees to provide plumbing, electrical, lighting, bathrooms and other basic infrastructure in the above described building shell. The Developer is not required to construct walls or other structural divisions within the building. The Developer agrees to pave sections of the outside space as needed and install recreational equipment identified by the Coalition, such as basketball courts. The Youth Center will have reasonable public access and will be open to the public.

The Developer shall purchase the land and pay all costs reasonably necessary to build the building shell for this purpose. The Developer shall then convey the land and facilities to the City free of charge, within 90 days of the issuance of a certificate of occupancy or similar certificate for any part of the Site. The City will then allow use of the facilities as a Youth Center, charging as rent only the amounts used for maintenance of the facilities.

The Youth Center shall be operated by the City or by an experienced, non-profit, community-oriented organization, selected by the City. This selection must be approved by the Coalition. The Youth Center shall serve residents of the Sun Valley Community, without any cost to users. The Coalition will assist the Youth Center in fundraising and other efforts to maintain quality of facilities.

Except for the purchase of the land, the construction of the building shell, and the conveyance of such to the City, each as described in this Section VII, the Developer shall have no other obligations with respect to the Youth Center.