

Who Benefits?

An Analysis of THE MIAMI WORLDCENTER “Economic Incentive Agreement”

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In December 2014, the Southeast Overtown/Park West Community Redevelopment Agency (SEOPW CRA) approved an “Economic Incentive Agreement” with the developers of the Miami WorldCenter. This agreement provides an estimated \$105 to \$175 million in tax increment financing¹ to Miami WorldCenter [1]. In return, the developer made pledges regarding local hiring and wage rates. In this paper, we compare the Miami WorldCenter (MWC) “Economic Incentive Agreement” (EIA) with four other similar agreements to provide a perspective on how well the MWC agreement lines up with the benefits secured by other communities.² Like the MWC, these projects were planned near or within low-income communities.

Project Name	Construction Jobs		Permanent Jobs		Job Training Funding	Community Organizations Negotiated
	Local Hiring	Living Wage	Local Hiring	Living Wage		
Kingsbridge Armory (NY)	25% Bronx	PLA ³	51% Bronx	√	√	√
Oakland Army Base (CA)	50% Oakland	PLA	50% Oakland	√	NONE	√
Yale New Haven Hospital (CT)	NONE	PLA	500 city residents	NONE	√	√
Staples Center (CA)	NONE	PLA	50%	√	√	√
Miami WorldCenter (FL)	25% Miami Dade County	\$11.53/hr	15% Miami Dade County	NONE	NONE	NONE

The four projects used in this comparison are:

- the Kingsbridge Armory (KA) in northwest Bronx, NY
- the Oakland Army Base (OAB) in Oakland, CA
- the Yale-New Haven Hospital (YNHH) in New Haven, CT, and
- the Los Angeles Sports and Entertainment District development (Staples Center) in Los Angeles, CA.

We examined the commitments made by the developers in those agreements on four main criteria: 1. Construction Jobs, 2. Permanent Jobs, 3. Job Training, and 4. Community Organizations Involvement in Negotiations.

This analysis separates construction jobs, permanent jobs and job training as three distinct commitments. The chart on page 1 presents our findings on the similarities and differences between and among the agreements. Two questions guided this analysis:

- Does the agreement provide a mechanism to make sure that the construction and permanent jobs go to local residents?, and
- Does the agreement contain wage requirements for these jobs that exceed the state minimum wage?

We considered this quote from Southeast Overtown/Park West Community Redevelopment Agency’s press release, dated January 5, 2015:

“The incentive package assures local hiring and an increase in wages for residents in the Historic Overtown area and residents living in high poverty zip codes throughout the city.”[3]

The quote, like the EIA itself, sheds light on a weakness of the current EIA in guaranteeing local priority hiring within the stated zip codes. At the heart of the issue is the lack of enforcement mechanisms connected to hiring within priority zip codes that were present in the other CBAs examined here. Developers currently only face penalties for not hiring within the greater Miami-Dade area and face a “one-time only” penalty. We go into greater detail below.

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Construction Jobs

In examining the five agreements, most agreements include both local hiring provisions and “living wage” rates for the construction phase of the project. We found that four of the five developments had a project labor agreement (PLA) with construction labor unions which lays out the terms of employment and conditions, including wage rates and benefits [4,5,6,7,8]. According to the U.S. Chamber of Commerce, “Project labor agreements also increase the cost of such jobs by imposing higher wages”[9]. The Miami WorldCenter development does not have a PLA, but does include an “enhanced living wage rate” of \$11.58 per hour, which will be raised as per the local Living Wage Ordinance as cited [10].

Three agreements reference local hiring for the construction work. The Kingsbridge Armory and Oakland Army Base agreements secured the narrowest definition of “local hiring”: the Kingsbridge agreement requires hiring from within the Bronx borough, while the Oakland Army Base agreement’s hiring area is the city of Oakland [11,12,13]. Both agreements focused on the area most affected by the projects, a goal stated by the authors of the MWC agreement [14]. However, the MWC agreement’s priority hiring areas by zip code are low in comparison to other agreements, and contractors could conceivably come from the entirety of Miami-Dade County. The geographic area of Miami-Dade County is 30 times larger than the city of Oakland and has 2.5 million more people. As a result, the construction jobs could be filled by workers from other areas of the county and not include a single worker from the neighboring community, Overtown. Further, this agreement has secured a “Responsible Wage” only for one group, Electrical Journeymen, at \$30.11 per hour plus \$6.50 per hour for a health benefit in 2014, with no provision for them to reside in priority zipcodes.

The Oakland Army Base agreement secured the highest percentage of locally hired construction workers, at 50%, from within the City of Oakland. The Kingsbridge agreement includes 25% from the Bronx. The MWC EIA requires the developer to hire 25% of construction workers from Miami-Dade County (30% of unskilled and 10% of skilled construction workers). The MWC EIA does state that the hiring priority begins with “City residents living within the Redevelopment area”, then to “City residents living within the boundaries of the Overtown community”, and it continues to three other “priority” areas [15]. However, when it comes to the enforcement provisions, penalties are assessed only if the developer fails to hire 25% of employees from Miami Dade County. Subcontractor Non-Compliance Penalties are to be monitored by a yet-to-be-named “SBE Construction Services certified firm” and the penalties for firms are one-time only starting at \$10,000, regardless of how many times the contractor does not hire locally. Essentially, one could read this agreement to mean that, as long as county residents are hired, whether or not they are the “priority” areas, there would be no penalty for failing to hire from the “targeted zip codes” [16,17,18,19].

Furthermore, the MWC EIA requires disclosure of hiring percentages, but it does not require disclosure of hiring within the targeted zip codes or redevelopment area. It only requires disclosure of county-wide hiring percentages [20]. This review concludes that the “targeted zip codes” are merely aspirational and not operational because the developer can easily satisfy the “local hiring” by hiring from non-priority zip codes across Miami-Dade, which we conclude can and should be changed if Miami-Dade really wants priority areas to benefit from the MWC development.

Permanent Jobs

The Kingsbridge, Yale-New Haven, and Staples agreements secured a higher number of locally hired permanent jobs than they did construction jobs and the Oakland agreement was the same percentage, at 50%.

All four of the other agreements also require compliance with existing living wage ordinances or create a “living wage” within the agreement [21,22,23,24]. This ensures that the permanent jobs created will not be minimum-wage jobs and aim to uplift the impoverished communities surrounding the projects. While there is a living wage requirement for the construction phase, the MWC EIA contains no living wage requirement for the permanent workforce.

The final draft of the Miami Worldcenter EIA requires that 15% of the permanent workforce at the project be residents of Miami-Dade County. The other agreements reviewed above each had higher local hiring goals for the permanent workforce than the construction workforce, so Miami Worldcenter’s lower goal (15% county-wide, rather than 25%) is disappointing. Indeed, it is hard to imagine how 85% of the permanent workforce could live outside Miami-Dade County. Furthermore, the Developer is only required to “use commercially reasonable efforts to include the obligation of Tenants” (Exhibit G-2, §4.2). Since tenants will employ the majority of the permanent workforce, this requirement will be of minimal effect.

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Job Training

We found that three of the agreements outlined above held developers accountable for paying for job training for local residents. In Kingsbridge, the Developer is required to pay “any fees associated with the services” by hiring, referral, and training agencies [25]. The Staples agreement required the developer provide \$100,000 in funding to staff and operate a referral and training system [26]. In the Yale-New Haven agreement, the developer provides \$500,000 to establish a “career ladder” for the purpose of giving access to healthcare jobs to those not in the healthcare industry and increase the existing nursing career ladder program by \$500,000 “to create employment opportunities in the nursing field for residents of the City of New Haven” [27].

The MWC EIA takes a two pronged approach to job training, which is to be decided solely by the Executive Director, with no money attached to it in the EIA: 1) Job Fair (minimum of one per year) and 2) Job training, via “workshops” seemingly in conjunction with CareerSource South Florida at Lindsey, Hopkins Technical Center [35]. Under section 3.3, the EIA states that job training will occur two times per year during the first two years and will require that residents get “adequate notice.” Some of the language in this section is unclear, however, and refers to Job Fairs and Job Training Workshops interchangeably.

Community Involvement in Negotiations

According to Good Jobs First and the California Public Subsidies Project, Community Benefits Agreements: Making Development Projects Accountable (2002), “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” [28]. This process was not followed in the MWC and there is no provision within the current EIA to create space at the table for community involvement in negotiations. The other four agreements were negotiated with coalitions of community organizations directly: The Figueroa Coalition for Economic Justice (SAJE), East Bay Alliance for a Sustainable Economy’s (EBASE) Revive! Oakland, the Kingsbridge Armory Redevelopment Alliance (KARA), and the Connecticut Center for a New Economy (CCNE) [29,30,31,32].

Conclusions

The Miami WorldCenter EIA falls short in comparison to these other four community benefit agreements. The MWC EIA:

- Fails to narrow the defined area for local hiring for construction jobs in a way that will ensure that the residents closest and most affected by the project will benefit from the jobs;
- Fails to include hiring requirements for the permanent jobs;
- Fails to require living wages for the permanent jobs;
- Fails to include funds for job training; and
- Fails to include community organizations in the negotiations.

Next Steps

Specific issues that should be addressed stem from the shortcomings we identified above:

1. Tighten the requirements and tracking of priority zip codes with stiffer penalties per occurrence instead of one-time fines;
2. Increase the percentage of local hiring in both construction and permanent jobs to 50%, more in keeping with previous CBA;
3. Community members should be “at the table” during negotiations for a community benefits attachment to any interlocal agreement or future economic incentive agreement. Such an attachment should include community benefits, including local hiring, job quality, and adherence to other applicable city and county policies.

Fortunately, the MWC EIA is only one step in a long process of approvals. The Agreement itself only requires approval by the Community Redevelopment Agency (CRA), not by the City or County. The Agreement is contingent, however, on future approval by the City and County as part of their annual approval of CRA budgets. Furthermore, two additional fundamental steps remain:

1. There remains another Economic Incentive Agreement, yet to be negotiated or approved, covering the Miami Expocenter EIA (Expocenter EIA), an 1,800-room hotel and convention center adjacent to the Miami WorldCenter. Any perceived inadequacies of the current WorldCenter EIA could be addressed and fixed in the pending Expocenter EIA. On March 5, 2015, the Herald reported that the developers of the Expocenter were requesting \$115 million [35].
2. The developer does not have any public approval allowing issuance of bonds supported by tax increment financing at either the Miami World Center or Expocenter sites. Such bonds could be issued by the Community Redevelopment Agency (CRA), after approval by Miami-Dade County. However, according to §4.2.3, the WorldCenter Developer has indicated another path: “Master Developer intends to petition the County to establish Miami WorldCenter District, pursuant to the authority provided under Chapter 190, Fla. Statutes... Master Developer intends to convey the Public Infrastructure Improvements or construction contract(s) therefore, and convey its interest in the same, to the Miami Worldcenter District, and contemporaneously therewith to issue an Assignment Notice of a portion of the Incentive Payment to Miami Worldcenter District for the term of any then existing bond issuance...” [34] This Community Development District (CDD) will require County Approval, but the subsequent approval of any CDD bonds will not. The Board of County Commissioners has broad discretion to determine, however, whether a CDD or a CRA is the most appropriate model for financing this project, and to first require a Worldcenter Interlocal Agreement between the CDD, the CRA, the City, and the County.

End Notes

- 1 These figures are calculations based on the MWC EIA (2014:1) which states “Master Developer and Retail Developer have requested that the CRA provide economic incentives to assist with the cost of providing certain infrastructure and parking in view of the additional taxes and the job creation that will result from construction development and operation of the Project.” The schedule for these incentives conforms to the construction phase, which is not set in stone; therefore, we are offering a range as a “best estimate.” See also, reference 1.
- 2 Our goal is not to focus on the tax incentives but rather to illustrate the potential poverty lifting opportunities that other communities similar to Miami have gained in the past.
- 3 A PLA, also known as a “Project Labor Agreement”, means a pre-hire collective bargaining agreement with one or more labor organizations that establishes the terms and conditions of employment for a specific construction project and is an agreement described in 29 U.S.C. 159(f). According to President Obama, “Project labor agreements are a tool that agencies may use to promote economy and efficiency in Federal procurement. Pursuant to Executive Order 13502, agencies are encouraged to consider requiring the use of project labor agreements in connection with large-scale construction projects.”[2]

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TIF year	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030 Q1	TOTAL
Phase 1A	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 3,579,505	\$ 894,876	\$ 40,269,431
Phase 1B	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 3,201,669	\$ 800,417	\$ 36,018,776
Phase 1C north			\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 3,129,143	\$ 782,286	\$ 28,944,573
Phase 1C south			\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 2,175,778	\$ 543,945	\$ 20,125,947
Block A						\$ 4,945,800	\$ 4,945,800	\$ 4,945,800	\$ 4,945,800	\$ 4,945,800	\$ 4,945,800	\$ 1,236,430	\$ 30,911,250
Block B						\$ 3,662,559	\$ 3,662,559	\$ 3,662,559	\$ 3,662,559	\$ 3,662,559	\$ 3,662,559	\$ 915,640	\$ 19,228,435
TOTAL													\$ 175,498,412
Values from Exhibit C													

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