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WORKER POWER LEVELS THE PLAYING FIELD

Community Benefits for Public Subsidies in the Iron District

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WORKER POWER LEVELS THE PLAYING FIELD is a product of the "EARN in the Midwest" project in Wisconsin, a collaborative of COWS, Milwaukee Area Service and Hospitality Workers Organization (MASH), and Kids Forward, devoted to building worker leadership and developing policy resources to raise job quality. Wisconsin's project is part of a broader effort supported by the EARN Network at the Economic Policy Institute and funded by the Robert Wood Johnson Foundation.

About COWS

COWS is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes “high road” solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. Through our various projects, we work with cities around the country to promote innovation and the implementation of high road policy. COWS is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

INTRODUCTION

In May 2022, Kenosha-based Bear Development and Kacmarcik Enterprises announced plans to begin work on a soccer stadium accompanied by ancillary, mixed-use developments - “The Iron District” - in downtown Milwaukee. In *Playing with Public Money in Milwaukee*, we reviewed economic development research showing that massive public investments in sports stadiums bring little to their communities without binding commitments to true community benefits. We also showed that many cities are providing significant subsidies to soccer stadiums and ancillary mixed development projects, but that transparency and community accountability appear to be the exception, not the rule.

This report centers the question of how to ensure true community benefits from public investment in private interests. If local political leaders commit public money to private projects in Milwaukee, then political leaders must secure and advance the public interest. A strong Community Benefit Agreement (CBA) is the most certain and robust way for communities to obtain real and lasting returns from large-scale private developments.

But not all CBAs are the same. In this report, we will identify the critical aspects of CBAs that ensure benefits to the community. We draw on experiences from the CBA that covers Milwaukee’s Deer District as a blueprint, as well as the precedent set by the L.A. Live/Staples Center CBA. Given the crisis of Milwaukee’s budget deficit – approximately \$150 million^[1] – every public dollar and investment must be carefully shepherded by public leaders to actually solve Milwaukee’s most pressing problems. When public investments are made, the community must hold developers accountable.



The Iron District: Proposed Scale and Jobs Potential

The Iron District proposal includes at least three components. The first is the stadium itself, which would likely employ hundreds of part-time service workers staffing the venue from spring through the fall. Service sector work is generally known to offer low wages, few to no non-wage benefits, and insecure employment, with no union contract. Stadium workers in Milwaukee

are otherwise covered by union contracts, but this does not necessarily mean those in the proposed Iron District would be, as no binding commitments from the developer are in place as of the time of publication.

The second source of jobs comes from the 140-room full-service hotel^[2] that may employ upwards of 100 hospitality

Setting the Precedent: The L.A. Live CBA

In May of 2001, a broad coalition of labor and community-based organizations, including five unions, negotiated a comprehensive list of community benefits from the Los Angeles Live Sports and Entertainment District development, a large project that included a 7,000-seat theater, hotel, convention center expansion, housing complex, and ancillary entertainment, restaurant, and retail businesses. Public subsidies for the project were estimated to be around \$150 million.^[3] Policy makers were not ready to approve the massive project and its subsidies without more than development for the sake of development. City officials advanced the L.A. Live project once the developer and the coalition finalized the CBA and outlined how the project would lead to actual benefits for the community as a whole.

The L.A. Live CBA or Staples Center CBA, as it is also known, set the precedent for most CBAs since. The benefits outlined by the coalition are as follows:

- Union rights for hospitality and service workers at the arena, convention center, hotels, and performing arts venues, under “Card Check, Neutrality” agreements.
- Wage floor for hospitality and service workers tied to the city’s minimum rate for subsidized development (\$17.29 per hour in 2022 dollars).
- A first source hiring program targeting job opportunities to low-income individuals and those displaced by the project.
- Standards for responsible contracting and leasing decisions by the developer.^[3]

These commitments reflected the coalition’s goals to secure a binding CBA and generate momentum around job quality and economic development in Los Angeles. Since the L.A. Live CBA, most projects in the region involving hospitality and service workers have matched its standards.^[4] Through community power, the hospitality industry labor market was transformed from one defined by low wages, insecure and exploitative employment, and no benefits into one with family-supporting jobs paying living wages and benefits, workplace rights, and economic security guaranteed by union contracts.

and service workers. This includes housekeepers, maintenance staff, cooks, and catering staff. While the hospitality sector is characterized by low-wage, non-union employment, workers in full-service urban hotels (i.e., properties with room service, etc.) are more likely to have a union. This is true in Milwaukee, where many of the city's leading full-service properties have union contracts and provide stronger wages, benefits, and rights on the job.

The third source of jobs in the Iron District comes from the two proposed performing arts venues, to be operated by the Pabst Theater Group.^[2] Recently, theater workers employed by Pabst Theater Group at other venues won their union in an election conducted by the National Labor Relations Board, winning 94 percent of the vote.^[5] At the time of publication these workers are negotiating a first contract, which if settled would cover work at the Iron District venues.

Community Benefits Agreements: What makes them important? What makes them work?

When a community coalition comes to an agreement with a private developer over the terms and impact of a development project, the agreement is codified in a Community Benefits Agreement (CBA). A well-structured CBA is an enforceable private agreement that is legally binding. The community shapes the project through its demands, and in exchange for the coalition's public support of the project in the approval process, the developer commits to uphold those demands. This structure allows a private agreement to enforce public benefits.^[6]

Without a binding agreement, the developer is not accountable to any assertions or promises. With a CBA, the enforceable commitments offer accountability to the developer and project supporters. For policy makers and their constituents, CBAs also provide transparency and certainty that a project delivers on expectations. CBAs are negotiated and finalized between private parties, however, because municipal governments are often prevented from including important issues in

development processes and approvals due to state preemption laws.^[7]

Community coalitions make specific demands and therefore can directly address pressing local issues. Demands can include rights to organize, affordable housing development, local hiring expectations, wage requirements, etc.^[6] The weightier a decision by local policy makers on proposed developments, like taxpayer-financed public subsidies or major land-use impacts, the more important a CBA is to ensure projects address challenges in a community.

In Milwaukee, a city plagued by racialized socioeconomic inequality, any development should have demonstrably positive impact on these inequities. As demonstrated in our report, *The Crisis in Milwaukee Service Work*, raising the quality of service jobs in the city is one way to help build a stronger and more equitable community. Policy makers must recognize that any decision on development will either exacerbate inequalities or take steps toward

addressing them. Therefore, any public investment in economic development should attend to the question of service job quality, and a community coalition, charged with negotiating a CBA for future development, must be able to secure

stronger service sector jobs. The example from the Deer District provides a solid model to replicate. A deep examination of that CBA is extremely important in laying out similar plans for the Iron District.

A Community Benefit for Milwaukee: Lessons from the Deer District

In 2016, Milwaukee-based community coalition Alliance for Good Jobs and the Milwaukee Bucks announced they had finalized a CBA covering end-use jobs within Fiserv Forum and the surrounding Deer District. Applying to employees of the Bucks as well as those of their subcontractors and development partners, the CBA, now seen as a nationwide model, focused on three major components:

1. Providing service and hospitality workers a fair process to organize and

join their union through majority sign-up without employer interference, with a guaranteed first contract.

2. Establishing a minimum wage in the district, starting at \$12 per hour in 2017 and rising to \$15 per hour by 2023.
3. Establishing a first source hiring hall and hiring at least 50 percent of employees from specified Milwaukee zip codes hit particularly hard by unemployment or underemployment.

[3] [8] [9]



Returns on the CBA came soon after with the establishment of the Milwaukee Area Service and Hospitality Workers Organization (MASH) as successor organization to the Alliance for Good Jobs. MASH monitors and enforces wage standards, fulfills the role of workforce intermediary – including recruitment and workforce pipeline development – and serves as the union itself.

This hybrid organization has been instrumental in connecting workers with 1,000 full- and part-time union jobs with a contract and achieved wage levels rising beyond the contract minimum, along with many other improvements in job quality.

In 2020, through their first union contracts, MASH members negotiated an increase in the wage floor to \$15 per hour, three years sooner than the original agreement.^{[10] [11]} MASH has since expanded

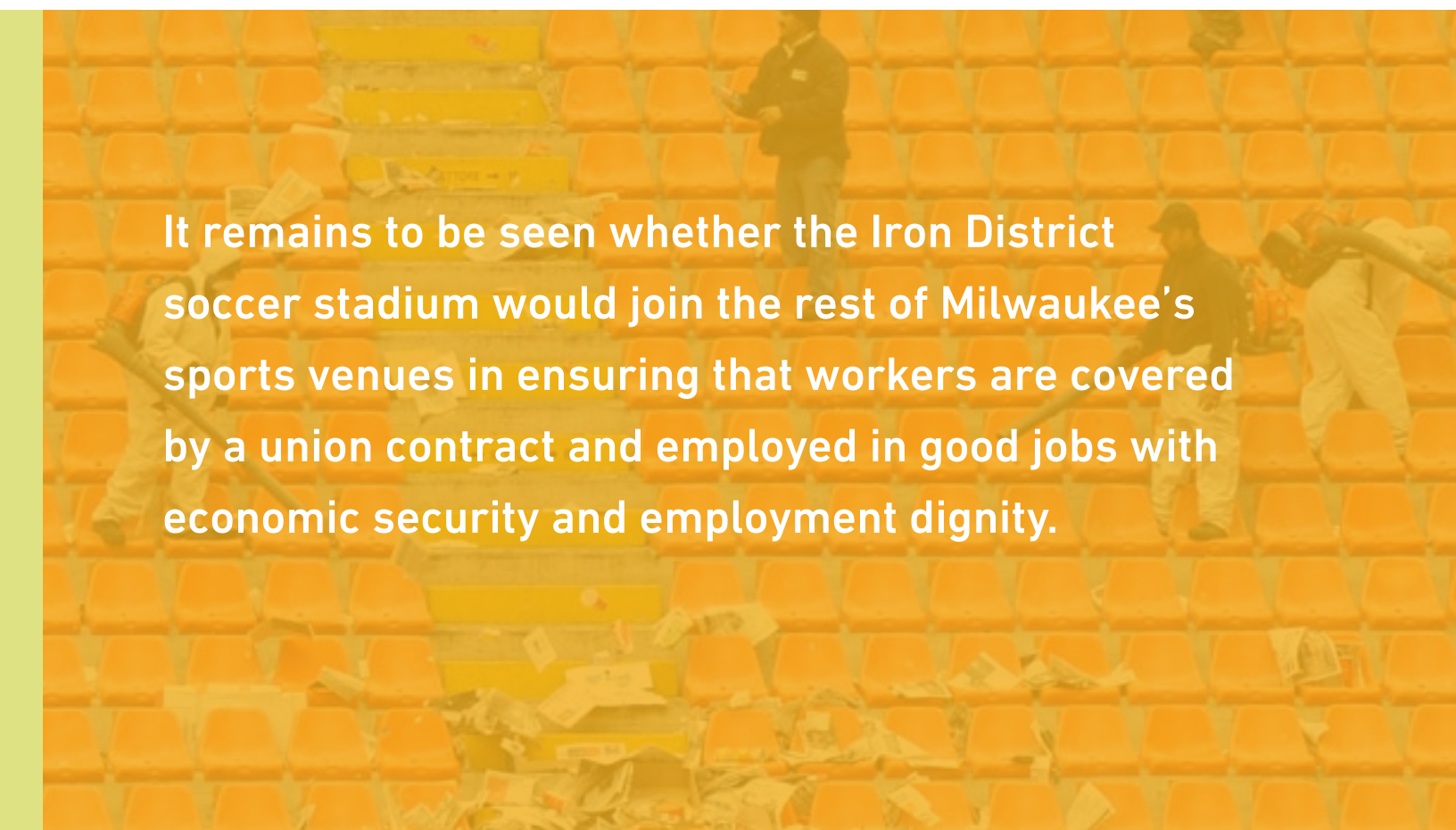
across the service and hospitality industries in Milwaukee.

More than a Floor: Worker Voice Essential to Improving Service Work

An essential component of the Deer District CBA model is that it gives workers the right to unionize.

Through their union, workers in the Deer District were able to ensure the terms of the CBA were met. Most importantly, the union continues to pursue advances in job quality and working conditions on behalf of its workers.

Today, Deer District workers are using their union representation to create a stronger sense of identity and solve day-to-day issues within the workplace.



It remains to be seen whether the Iron District soccer stadium would join the rest of Milwaukee's sports venues in ensuring that workers are covered by a union contract and employed in good jobs with economic security and employment dignity.

Avoiding the Own Goal: When CBAs Fall Short

As mentioned earlier in this report, not all CBAs are equal. This can be obvious in reviewing the terms of a CBA. Examples of potential pitfalls include:

1. No signed agreement between the developer and a community-based group with sufficient capacity to monitor and enforce the CBA.
2. Insufficient community leverage to secure meaningful benefit in negotiations. For example, no guaranteed right for post-construction workforce unionization or no wage standards for post-construction service and hospitality work.

In these cases, the failure is in the independence and strength of the community coalition and its structural ability to pursue and enforce the terms of the CBA.^[3]

It is also crucial for the coalition to understand what long-lasting benefits look like for workers – in other words, differentiating between singular acts of charity such as investing in infrastructure or community services versus guaranteeing workers the right to organize and enforce a living wage floor.

This especially applies to the post-construction service jobs that multi-use developments like the proposed Iron District create and sustain.

The Deer District CBA has produced actual benefits for the people of Milwaukee because:

1. The developer signed a binding agreement explicitly covering post-construction service and hospitality work;
2. The agreement included establishing an organization (MASH) to monitor and enforce the CBA on multiple fronts; and
3. Provisions of the agreement intentionally targeted the socioeconomic disparities in the workforce while providing meaningful advances in job quality that have become the area standard.

Likewise, the L.A. Live CBA worked because a broad coalition with strong labor representation secured written agreements and independently ensured that the developer made good on its promises when government bodies otherwise would not.

“It’s not hard to convince people that they should be treated fairly and have good paying jobs, no matter what color, race, creed, or sexual orientation.... It’s easy, actually, once they’re hired, to get them in the door... and say, ‘you have a seat at the table, they’re going to listen to you, they’re not going to treat you badly.’”

Troy Brewer, Cook and MASH Union Steward

CONCLUSION

Among major American cities, Milwaukee stands out, unfortunately, for its interlinked crises of racial and economic inequality. In the decades following WWII, Milwaukee was known for good union jobs in factories across the city. Over the past four decades, these jobs have been replaced by low paying, non-union service jobs with little benefits. Poverty and racial and economic inequality in Milwaukee can be traced back to this development. By transforming service work, Milwaukee can reverse this four-decade slide and begin addressing the problems of economic and racial disparity.

As the proposed Iron District comes into sharper focus and the city confronts a fiscal crisis with still uncertain impacts on municipal government, city policy makers will need to decide whether they want to direct public subsidies to a soccer stadium, hotel, and performing arts venue and on what terms. Guaranteed family-supporting employment for Milwaukee residents must be centered in discussion of these investments. It remains to be seen whether the Iron District soccer stadium would join the rest of Milwaukee's sports venues in ensuring that workers are covered by a union contract and employed in good jobs with economic security and employment dignity.

Fortunately, Milwaukee policy makers have models upon which to draw. While some cities around the country have fronted tens of millions of dollars to unaccountable soccer stadium projects ensuring no return to the community, Milwaukee can draw upon its own Deer District Community Benefits Agreement history to create good jobs in the Iron District. What has been good for the Deer District will be good for the Iron District.

Policy and Leadership to Improve Service Jobs in Milwaukee

The Milwaukee Service and Hospitality Workers Organization (MASH), COWS, and Kids Forward are working together to transform service work across Wisconsin. The reports for this project provide information on service jobs, policy approaches to their improvement, and the important role of unions in raising standards on work.

The Crisis in Milwaukee's Service Industry

Even before the COVID-19 pandemic, service work in Milwaukee was known to offer low wages, inadequate and often unpredictable hours, and weak benefits. This report calls on the City of Milwaukee to lead efforts in strengthening job quality, raising labor standards, and support and build a high-road approach to service work.

Playing with Public Money in Milwaukee: Data, Context, and Questions on Soccer Stadiums

In May 2022, Kenosha-based Bear Development and Kacmarcik Enterprises released a development plan for an "Iron District" on the southwestern end of downtown Milwaukee. This paper provides Milwaukee residents and political leaders background information and additional context as this proposal is considered, offering an overview of relevant research on the economic impact of sports arenas and information on recent public investment in soccer stadiums in five other cities.

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