

Canal Side: How Will the Community Benefit?

For the last two years, PPG partners have voted to make a community benefit agreement (CBA) for the \$300 million Canal Side development a plank in the PPG Community Agenda. A CBA would include binding guarantees about quality jobs, green design, local businesses, local and minority hiring, and mixed income housing.

Each year, PPG leads its partners and other citizens in crafting a Community Agenda: ten policy actions that government can take in the course of the year to revitalize the Buffalo region. Many important actions are proposed, but only ten make the final vote. The PPG Community Agenda for 2010 includes the following plank:

The Empire State Development Corporation and Erie Canal Harbor Development Corporation should not give subsidies to Benderson Development, Bass Pro or other corporations involved in the Canal Side redevelopment without a community benefit agreement requiring: (i) living wage jobs; (ii) environmentally friendly building and operations; (iii) locally owned businesses; (iv) mixed income housing; and (v) a building and site design appropriate to the location.

PPG believes that the Canal Side project should not move forward without a community benefit agreement: a legally binding agreement to ensure that the massive public investment in the project produces authentic public goods. The

community benefit agreement is a flexible tool that has been used successfully on comparable large developments in other cities.¹

The essential elements of that agreement – and of a Canal Side that truly benefits the community – are quality jobs, green design and operations, local businesses, and affordable housing. The Draft Generic Environmental Impact Statement for Canal Side includes, among the project’s objectives listed in part 5.2, “utilize green design principles,” and “create locally owned retail businesses with living wage jobs,” but the General Project Plan lacks any mention of locally owned businesses and living wage jobs. While the GPP calls for LEED certified buildings, it falls short of requiring LEED-Silver buildings, and hence is unlikely to be truly green in its design.



Benerson, and Bass Pro to work with community groups to reach an agreement that includes:

- Job quality provisions, including a living wage requirement for all businesses at Canal Side;
- Green building and operations requirements, with all buildings meeting the equivalent of LEED-Silver and including effective storm water management and water conservation plans;
- A local business plan, with 75% of retail space outside of Bass Pro reserved for locally-owned, independent businesses;
- Affordable housing, with at least one-third of the units affordable.

Quality Jobs

Public dollars should never be spent on projects that pay poverty-level wages. Poverty-level jobs do not benefit the worker or the community; rather, they shift costs away from the employer onto the worker and the community. The public ends up paying for public assistance (Food Stamps, Medicaid, heating assistance, etc.) to fill the gap between what the employer pays and what the worker needs to survive.

The City of Buffalo has a living wage ordinance which applies to city workers and workers at certain employers who contract with the City. The ordinance sets the living wage at a level designed to keep a family of three just out of poverty. The level is adjusted each year based on inflation. As of January 1, 2010, the rate is \$10.57 per hour if the employer provides health benefits and \$11.87 per hour if the employer does not. For a full-time worker, that translates into gross annual pay of \$21,986 with benefits or \$24,690 without benefits.

It is disturbing that the Erie Canal Harbor Development Corporation (ECHDC) estimates the average payroll for Bass Pro and other Canal Side development jobs at \$22,500, well below a living wage.² It is hard to imagine spending \$295 million in public money, including \$35 million for Bass Pro alone, to create poverty level jobs.

Economists disapprove of government subsidies for retail businesses for two reasons. The first is that retail businesses rarely grow a region's economy; they compete with each other for a limited customer base in a zero sum game; when the government aids one retail business, it hurts that business' competitors by an equivalent amount. The second reason not to subsidize retail is that retail jobs do not pay well. As Professor Kenneth Thomas observes, "Retail jobs . . . contain a high proportion of low-pay, zero or low-benefit, often part-time jobs. Why economic development agencies pursue them so aggressively is difficult to explain."³

It is well known that Buffalo is the third-poorest city in the nation. Less often discussed, however, is the role of low-paying jobs and economic inequality in creating that poverty. As the DGEIS notes at part 6-18, Erie County's poverty rate of 12% in 1999 was average for the United States and low for New York State; it was only the City of Buffalo's rate that reached an astounding 27%. The Brookings Institution reports that Buffalo was one of the ten cities with the largest increase in income segregation between 1970 and 2000.⁴

One of the main forces in economic inequality is the prevalence of poverty-level jobs. The Buffalo area is home to roughly 125,000 workers in jobs where the median income is less than \$20,000 per year, including 20,170 retail salespeople (\$19,060), 18,780 cashiers (\$16,360), and 55,920 food prep/servers (\$17,300).⁵ It makes no sense to give government subsidies to employers paying this level of wage, particularly when those employers, for the most part, will not be creating truly new jobs, but simply competing with other, existing employers.

Opponents of living wage policies often argue that requiring living wages will lead to reduced numbers of jobs. Numerous studies of existing living and minimum wage policies, however, have proven that job losses are minimal or non-existent, and are far outweighed by the benefits in reducing poverty and strengthening communities.⁶

PPG also questions the inclusion of a hotel in Canal Side. Economists frown on hotel subsidies just as they frown on

retail subsidies: hotels do not grow the economy, and they pay low wages (the median wage for a chambermaid in western New York is \$18,920). According to the *Buffalo News*, the public has already invested \$65 million in downtown hotel subsidies, for an average subsidy of \$52,000 per room.⁷ It appears that downtown already has an excess of hotel rooms, to the point where many of the hotels, including the heavily subsidized Hyatt, are losing money and asking for additional subsidies and loan forgiveness.

Providing quality jobs starts but does not end with living wages. The Canal Side pre-development agreement includes a provision for a good faith effort to achieve 25% minority participation in construction work. Under a good community benefit agreement, that provision would become a binding commitment, not just a good faith goal. A good CBA would also include requirements for local hiring, apprenticeship programs, and labor peace agreements.

Green Design and Operations

The GPP calls for all buildings to be LEED certified as sustainable, with a goal of achieving LEED Silver status. Unfortunately, LEED certification at anything less than Silver is relatively meaningless. Effective policies require at least LEED Silver. Even LEED Silver status does not guarantee that the building will be energy efficient, which is the most important green criterion, because buildings can earn points in many other ways. Thus, it is wise to require an Energy Star designation as well (Energy Star is the federal

government's designation for buildings that score in the top 25% for energy efficiency).

As PPG reports in *Greening Buffalo: What Local Governments Can Do*, buildings account for 48% of the nation's energy consumption.⁸ In Buffalo, residential buildings account for 34% of the city's greenhouse gas emissions, and commercial establishments account for 20%.⁹ The City of Buffalo signed the US Mayors Climate Protection Agreement, pledging to reduce its greenhouse gas emissions to 7% below 1990 levels by 2012, but it has not taken steps to implement that commitment.

If current global warming trends continue, by 2100 Buffalo can expect to have 48 days over 90 degrees each year, and 14 days over 100 degrees. Lake Erie will shrink well below current levels, leaving Buffalo's waterfront substantially inland and rendering the Canal Side project somewhat useless.¹⁰

Building green, particularly in the area of energy efficiency, can require a small additional investment upfront, but that investment is quickly repaid by energy savings. Buffalo's HealthNow building, which is LEED Silver, incurred 1 to 2% extra in initial costs, but it is saving its owners some \$166,000 per year in energy costs.¹¹

Given its location and theme, Canal Side should also be a leader in water conservation and the management of storm water. Like other old cities, Buffalo has a combined storm and sanitary sewer system, with the result that, when it rains, the amount of water in

the system overwhelms the limited capacity of the treatment plants, and raw sewage and other pollutants flow directly into our waterways through various outflow points, including a number of points in and around Canal Side. For example, some 306 million gallons of untreated sewage follow into the Erie Canal Commercial Slip each year through Outfall Number 17, and another 93.5 million gallons flow into the Erie Basin Marina.¹²

The community benefit agreement for Canal Side should include requirements that all development on the site (buildings and parking areas) include aggressive water conservation and measures to keep storm water and sewage out of the sewers and out of the lake with rain gardens, green roofs, landscaping, tree plantings, and rain barrels. No buildings should have downspouts or other systems that send storm water directly from roofs into the sewers. It is good to see that the GPP mentions combined sewer overflows as a concern. LEED Certification alone, however, in no way guarantees good stormwater management; the ECHDC needs to commit to specific measures, such as a ban on downspouts feeding into sewers.

Local Businesses

Many national businesses are not net assets to the communities in which they locate; rather, they take away more money in revenues than they put back through spending on employees, materials, taxes, and corporate giving. With locally owned businesses, in contrast, the money stays in the community.¹³ In general, big box retailers such as Bass Pro, which pay

mostly poverty-level wages, simply compete with other big boxes and local businesses, and produce more harms than benefits.

Some studies estimate that a dollar spent locally has “three times the economic impact as shopping at a national business.”¹⁴ The local business owner purchases more local products and services, supports more local charities and civic institutions, pays more local taxes (as an individual, not just a business), and has a more vested interest in seeing the community succeed and its residents prosper. Local businesses also help the environment by reducing transportation needs.

The DGEIS lists locally owned businesses as an objective, but it centers around Bass Pro and does not include a mechanism to ensure the presence of locally owned businesses in the rest of the site. The GPP does not mention locally owned businesses at all. PPG calls for a community benefit agreement under which 75% of the commercial space outside of Bass Pro would be reserved for locally owned, independent businesses.

Affordable Housing

The DGEIS includes 120 units of housing in the project. The GPP mentions residential uses but does not appear to include a number of proposed units. PPG recommends a community benefit agreement to ensure that at least one-third, or 40, of those units are affordable. In other words, they should be priced so that a salesperson, cashier, security guard, parking attendant, or landscaper

employed at Canal Side can afford to live near Canal Side.

Buffalo’s waterfront is already home to a large number of luxury and high end housing developments, which have been heavily subsidized through Empire Zone tax credits and other means. The City has also wasted millions of dollars in scarce anti-poverty funds on market rate housing in and near downtown, such as the Granite Works (846 Main St.), the Warehouse Lofts (210 Ellicott St.), and Sycamore Village. The public price tag for one condo development alone, Waterfront Place, where units cost as much as \$659,000, has been estimated at \$6 million.¹⁵

Meanwhile, the Buffalo metro region ranks ninth worst in the nation for housing affordability, as measured by the number of households paying more than 30% of their income toward housing. In the city of Buffalo, 2000 Census data show 48.5% of renters paying more than 30% of their income for their housing.

Mixed income developments have found success in many cities, including Boston’s highly-regarded Harbor Point development, which occupies a dramatic spot along Boston’s waterfront. At Harbor Point, two-thirds of the units are market rate, and one third are subsidized units. Over half the residents have an income below 50% of the local median income.¹⁶

Conclusion

Canal Side involves a massive public investment through subsidies, demolition, site-clearance, and infrastructure improvements, not to mention all the soft

costs involved in pursuing such a large development. It would be reckless and short-sighted to make this investment without iron-clad guarantees that the community will actually benefit from it. ESDC, ECHDC, Benderson, and Bass

Pro should work with community partners to reach a community benefits agreement that includes the provisions outlined above.

Notes

¹ See www.communitybenefits.org for more information and CBAs from other cities.

² http://www.eriecanalharbor.com/project_status.asp.

³ Kenneth P. Thomas, "The Sources and Processes of Tax and Subsidy Competition," www.hhh.umn.edu/projects/prie/pdf/thomas_paper.pdf

⁴ Tara Watson, "New Housing, Income Inequality, and Distressed Metropolitan Areas" (Brookings Institution, 2007).

⁵ New York State Department of Labor, www.labor.state.ny.us. See also Sam Magavern, "Poverty-Level Jobs in Western New York," available at www.ppgbuffalo.org.

⁶ See, for example, Robert Pollin et al, *A Measure of Fairness: The Economics of Living Wages and Minimum Wages in the United States*, Cornell University Press (2008).

⁷ James Heaney, "Why hand-outs for hotels?" *Buffalo News*, 12/8/08.

⁸ Sam Magavern, *Greening Buffalo: What Local Governments Can Do* (Partnership for the Public Good, 2008), p. 41, available at www.ppgbuffalo.org.

⁹ City of Buffalo Comprehensive Plan, p. 40; and Sam Magavern, *Affordable Housing and the Environment in Buffalo, New York* (Partnership for the Public Good, 2007), p. 26, available at www.ppgbuffalo.org.

¹⁰ Union of Concerned Scientists, "New York: Confronting Climate Change" (2007); and Tom Henry, "Lake Erie's Water Level Could Plunge 3 to 6 Feet as Earth's Temperature Rises," *Toledo Blade*, 1/7/08.

¹¹ James Heaney, "Developers here slow to adapt," *Buffalo News*, 4/13/08.

¹² Michael Beebe, "Erie Canal Commercial Slip" and "Erie Basin Marina," *Buffalo News*, 9/24/06.

¹³ See www.buffalofirst.org; also Jenna Piasecki, "Buying Locally," and Kathleen Moriarty, "Localization," fact sheets available at www.ppgbuffalo.org.

¹⁴ <http://buffalofirst.org/aboutus>

¹⁵ Donn Esmonde, "City's gift to condos hurts us all," *Buffalo News*, 5/16/07, and Phil Fairbanks, "City gives 10-year tax break to build condos," *Buffalo News*, 5/13/07.

¹⁶ Paul Brophy and Rhonda Smith, "Mixed-Income Housing: Factors for Success," *Cityscape* v. 3, no. 2 (1997), pp. 7-9.