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Distinguished Members  
Buffalo Common Council  
Buffalo, New York

Dear Council Members:

I write with information about Community Benefits Agreements, especially as they apply to projects that include big-box retailing.

First, regarding big-box projects generally, it is a well-established fact that retailing is a very low-impact economic activity. That is, compared to other competing potential economic development activities such as manufacturing or high technology, retailing produces far smaller economic ripple effects. These indirect jobs can be divided into “upstream” (those in your metro area that feed goods and services to the subsidized project) and “downstream” (those in your metro area created by the spending power of the employees holding the direct jobs).

Regarding upstream inputs to big-box retailing, the vast majority of jobs manufacturing and shipping the goods to Buffalo are created offshore (and elsewhere in the U.S.). As well, the number of jobs created downstream is very low because most retail jobs are part-time, poverty-wage and without health care or retirement benefits.

For these reasons, Good Jobs First has long recommended that retail projects not be subsidized unless they are necessary to bring vital services to a demonstrably underserved area in need of revitalization. That is, if there is a neighborhood that lacks a grocery store, a drug store and/or clothing stores, it would be an appropriate use of economic development subsidies to address what is technically called a “market imperfection.”

However, in the case of Canal Side, outdoor sporting goods are discretionary luxury items, not vital everyday needs such as groceries. That is, there is no vital Community Benefit for low- and moderate-income consumers to justify the enormous economic development subsidies envisioned for the project. Hence the challenge: how to ensure that the Canal Side project's costs are offset by some tangible economic benefits.

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The key variable is job quality. If the Canal Side big-box retail project is not protected by a Community Benefits Agreement that improves the quality of the permanent jobs, it will have the perverse effect of creating hidden taxpayer costs created by part-time, poverty-wage jobs (above and beyond the bricks and mortar subsidies). Specifically, as has been disclosed in many states and quantified in a Congressional study of one retailer, big-box chains top the lists of companies with the greatest number of employees and family beneficiaries dependent upon state-sponsored health insurance, Medicaid and State Children's Health Insurance Programs.

By promoting full-time hours, living wages, and health insurance, Community Benefits Agreements substantially reduce such hidden taxpayer costs. They also, of course, improve the downstream ripple effects because they increase the buying power of the direct project jobs.

We would also recommend two other established Community Benefits Agreements provisions to maximize the return on your investment: local hiring and a set-aside for locally owned small businesses.

A local hiring agreement for the new permanent jobs at Canal Side would ensure that Buffalo residents, especially those who have recently been retrained by local workforce development providers, get the first chance to quality for employment. This would help ensure that those most in need get the first chance at new economic opportunity, clearly a valid Community Benefit.

Set-asides for locally owned small businesses are also highly desirable, again from a pure return on investment basis. As the consulting firm Civic Economics has established in studies performed in Chicago, Austin and San Francisco, locally owned businesses pay more, procure and bank more, belong more, and donate more to their local economies than do national retail chains. If the retail anchor of Canal Side is expected to draw strong traffic, using a Community Benefits Agreement to help locally owned businesses benefit from that traffic would enhance the project's economic benefits to your economy.

If I can provide additional information about these or other issues, I will be glad to respond.

Sincerely,

A handwritten signature in black ink that reads "Greg LeRoy". The signature is written in a cursive, slightly slanted style.

Greg LeRoy  
Executive Director