

Good Jobs/Livable Communities
Recommendations of
the Real Estate Development Advisory Committee
September 9, 2003

Good Jobs

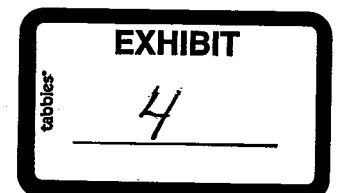
The redevelopment of the Park East offers the potential to create significant economic benefits, including construction jobs resulting from the new development activity, provided that development in the Park East is not so overburdened that it occurs elsewhere.

Currently, wage rates in the construction industry are competitive and provide a living wage for their workers. While "prevailing wages" are already paid to a high percentage of downtown construction workers, a prevailing wage or union mandate would drive up the cost of construction, particularly in the residential sector (primarily in carpentry, masonry, and drywall trades). The increase in cost is estimated at between 8% to over 14% or approximately \$8,000 to \$14,000 per unit. This cost differential would discourage development, put the City at a competitive disadvantage with the suburbs, and/or require City subsidies to make projects economically feasible. Further, imposing this mandate would hurt emerging businesses as they try to grow.

In short, increased costs resulting from job mandates, adverse impacts to small and emerging businesses, and additional subsidies, could all serve to undermine the potential for providing job opportunities for City residents and emerging businesses.

Recommendation

- To ensure the Park East remains competitive with other locales in the region, the following mandate should apply only to developers obtaining direct City financial assistance or purchasing land from the City or County. Such developers will be required to have 18% of their qualified development costs provided by firms certified as a Disadvantaged Business Enterprise by Milwaukee County or certified as an Emerging Business Enterprise by the City of Milwaukee. Such requirements should be reflected in the development agreements and monitored by the City's EBE Office.
- The City of Milwaukee will work with organized labor, the general contracting community and labor training organizations to modify the existing Resident Preference Program (RPP) to insure that it produces meaningful and sustainable results for Park East development activity. Developers obtaining direct City financial assistance or purchasing land from Milwaukee County would be required to target 25% of the construction jobs to City or County residents. Such requirements should be reflected in the development agreements and monitored by the City's EBE Office.
- To further support the hiring goals established as part of the Resident Preference Program, the City of Milwaukee EBE Office will work with Milwaukee County, organized labor, the general contracting community and labor training organizations to create a specialized apprenticeship and pre-apprenticeship program that will increase the level and success of City resident participation in the construction trades.



Affordable Housing

The major goal of the City of Milwaukee's Housing Strategy is to create a range of housing opportunities for City residents.

In the downtown neighborhood, over 60% of the rental units are affordable to families earning under 60% of County median income. Within a one-mile radius of the Park East, there are over 2,700 subsidized rental units. In regard to homeownership, over 40% of the single family and condominium units in the downtown area are affordable to families earning under 50% of County median income, and over 60% are affordable to families earning under 80% of County median income. On the other end of the market, the momentum that is present in downtown residential is in fact bringing middle and upper income families back to Milwaukee. This is very positive for the City.

New construction, market-rate apartment development is already challenged in downtown Milwaukee. Rents have declined and vacancies have increased due to a lackluster economy, little or no job growth, and contracting of households. Low interest rates have shifted potential renters to buyers. To impose additional mandates that increase the costs or reduce the revenues of apartment developments will significantly dampen, if not end, apartment development activity in downtown Milwaukee.

While much of the attention downtown has been directed to the high-end product, the market has shown the ability to identify opportunities to develop affordable housing downtown. 25% of all new rental housing developed downtown in the past five years or to be under construction in 2003 has been affordable. This was accomplished without any mandates.

In a functioning market, mandates won't result in the best, most efficient, or most economical projects coming forward. The market typically instills this discipline, and it is working in downtown. In addition, the resources that are available to develop affordable housing are limited, involve a great deal of complexity and require specific expertise. As a result, mandates may discourage a number of developers (including smaller ones) from participating in the redevelopment effort.

Finally, the development of affordable housing requires significant subsidies and public resources. These are resources that would otherwise be directed to neighborhoods that have a greater need.

Recommendation

- Encourage a range of housing opportunities downtown. Continue to encourage the development of affordable housing, where appropriate, throughout downtown, such as in the Majestic Building.

- Where discretionary resources exist, continue to focus them on areas of greatest need – near downtown neighborhoods, upgrades to standard housing stock, and sites or buildings that are blighting or underutilized.

- Work with local community organizations, property owners and employers to produce informational materials about quality, affordable housing opportunities downtown, as well in nearby neighborhoods (e.g., new homeownership - CityHomes, Lindsay Heights, Highland Park). Information could be distributed to downtown employees, as well as individuals interested in housing opportunities near downtown.

Local Hiring and Training

Post construction, new development in the Park East will create permanent jobs for area residents.

A first source recruitment program could be a valuable resource in providing job opportunities for Milwaukee residents, as well as serving as a resource for employers locating in the Park East and businesses considering such a move.

To be most effective, the program should be perceived as an asset for employers, and not something that interferes with the recruitment or hiring process, or creates onerous reporting requirements that add costs to doing business in the City.

Recommendation

- The City of Milwaukee will work with other stakeholders to structure an effective first source recruitment program for the permanent jobs that are likely to be created throughout the Park East.
- Participation in the first source recruitment program will generally be voluntary; however, developers that receive direct financial assistance from the City or purchase property from Milwaukee County will be mandated to share information about the first source recruitment program with their business tenants and provide a tenant contact to a first source recruitment program administrator. Such requirements should be reflected in the development agreements and monitored by the City's EBE Office.
- The first source recruitment program will utilize existing labor training resources and agencies.

Linkage Fees

In some communities such as Boston and San Francisco, linkage fees are levied on development to force developers to pay for community social objectives such as affordable housing or neighborhood services. Linkage fees appear to have the greatest potential where there is strong commercial development and large projects that can easily shoulder the additional financial obligation. In very heavy demand commercial markets, linkage fees have been used to address unbalanced markets where affordable housing is in very short supply.

In slow demographic growth areas like Milwaukee, the imposition of linkage fees will discourage investment because the market returns are not capable of absorbing additional development expense. Since most urban developments must struggle for profitability, and some already need governmental financial assistance, imposing linkage fees will cause many proposed projects to become infeasible and/or require additional development subsidies.

Recommendation

Do not impose linkage fees on new development in the Park East. To do so would discourage development and place Milwaukee at a competitive disadvantage with the suburbs. Additional costs may create the need for additional City subsidies at a time when resources are already scarce. Creating another impediment to development will adversely impact the City and County's ability to achieve their other goals for the Park East, including increased tax base, job opportunities and spin-off investment in downtown and near downtown neighborhoods.

Environmental

The objectives of the proposed redevelopment plan for the Park East include optimizing the long-term value of the public and private investment in the neighborhood. This includes creating high quality new development, taking maximum advantage of the area's unique assets, and creating a pedestrian environment that is welcoming, safe, convenient, and attractive.

Recommendation

The Park East will include:

- A bike trail linking with neighboring trails
- A buffer area along the river
- Access to bus routes
- Pedestrian access to other parts of the City
- Designated park space
- Reestablishment of Milwaukee's street grid system and reconnection of neighborhoods – near north to downtown
- Wider sidewalks along streets to encourage and invite pedestrian activity
- Additional Riverwalk linking Near North Neighborhoods to Lakefront
- Design guidelines that promote high quality and pedestrian friendly development

Community Involvement/Accountability

Going forward, it will be important to measure the results of efforts in the Park East area and report on them to the Common Council and County Board. The City and County currently report on the results of other initiatives and requirements tied to development activity, e.g. EBF and DBF results.

Recommendation

- The City and County will continue to use existing reporting mechanisms for development in the Park East.
- The City and County will annually report to the Common Council and County Board on the results of new development and initiatives that are created in the Park East.

These observations and recommendations are presented by representatives from the real estate development community and business community involved in economic development. The Milwaukee Redevelopment Corporation invited these individuals to participate in the review of the proposals before the task force.