DC FISCAL POLICY INSTITUTE

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FOR IMMEDIATE RELEASE

Massive Taxpayer Subsidy of DC's Wharf Project Supports Creation of Low-Wage Jobs with Minimal Benefits

Report: The District Should Do More to Use Its Economic Development Incentives to Foster Quality Jobs and Shared Prosperity

The District of Columbia's economic development efforts – including the enormous Wharf project – too often support creation of low-wage jobs with minimal benefits, because they do not link large public subsidies with requirements to create high-quality jobs, according to a new analysis by the DC Fiscal Policy Institute. This means that DC is failing to use its substantial economic development investments to reduce the city's large income gaps or to ensure that benefits of DC's growing prosperity are shared widely.

The redevelopment of the Southwest Waterfront is one of the largest real estate development projects in the history of the District. It is transforming an historic area of the city's waterfront, while creating new retail, dining, entertainment and housing options within walking distance of the Mall.

Yet the project faces growing questions about the type of jobs it is actually creating, and who truly benefits from large taxpayer subsidies for such developments. The District approved $300 million in public subsidies for the Wharf project, including public land and cash subsidies through DC's Tax Increment Financing (TIF) and PILOT economic development subsidy programs.

"Unfortunately, neither the developer nor the District's economic development leaders took meaningful steps to ensure that the Wharf resulted in good-quality jobs or other benefits for DC residents," said Ilana Boivie, author of the DC Fiscal Policy Institute analysis.

The new DCFPI report, "Lessons from the Waterfront: Economic Development Projects Must Do More to Lessen DC's Worsening Income Inequality," found that while the District set requirements for the developer to hire DC residents for some of the jobs, there were no wage and benefit requirements for those jobs. Without such requirements, developers usually compete for projects by aggressively keeping labor costs low. Most construction workers at the Wharf were not represented by a union, and many of its non-union construction jobs pay less than $15 an hour, or less than $30,000 a year, often with minimal benefits. The hotel, restaurant, and retail jobs at the newly opened Wharf also are likely to be non-union, and have similarly low pay and benefits.

The report analyzes the potential effects of unionization for all eligible workers associated with the Wharf. It found that if the developers and businesses associated with the project had worked with unions for the construction phase and for ongoing operations, workers at the Wharf would earn $6,400 to more than $11,000 more per year, depending on their industry, and would be more likely to have employer-paid health insurance and retirement benefits.

"The Wharf redevelopment includes an enormous taxpayer subsidy," said John Boardman, Executive Secretary-Treasurer of UNITE/HERE Local 25, which represents more than 6,500 hotel workers in the DC area. "That public investment should result in more than just new buildings, new shops, and new rooftop bars. It should also generate high-quality jobs for the people who build those buildings, and staff those hotels, stores and restaurants."

Sheetmetal worker Oscar Armando Orellana paid a high price for his work on the Wharf. He suffered a serious workplace injury in November 2016 while employed by a non-union subcontractor working on the new movie theatre at the Wharf.

"I slipped and hurt my foot on a scaffold. I immediately felt severe pain and burning and could hardly walk," said Orellana. "I told my foreman what happened – he patted me on the back and told me to just keep working. He also said I should not report the accident. I kept working for several months and told my foreman daily that it was bothering me. I couldn't rest and let my foot heal. Eventually, the pain was so bad, I could not come to work. I ended up being hospitalized for three weeks with a serious infection. I lost two toes and almost lost my entire foot. I have now been without work for almost six months. Medical bills are mounting and I am facing eviction."

On November 2nd, 6th and 9th, the District Zoning Commission will hold public hearings to discuss Phase 2 of the Wharf project. The D.C. City Council is also considering a bill that would authorize $84 million in tax increment financing subsidies for development in the Union Market area. Neither Phase 2 of the Wharf nor the Union Market subsidies are currently linked to requirements that the developments create high-quality jobs.

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About the DC Fiscal Policy Institute

The DC Fiscal Policy Institute promotes opportunity and widespread prosperity for all residents of the District of Columbia through thoughtful policy solutions. DCFPI influences DC budget and policy decisions to reduce poverty and income inequality and to give residents the opportunity for a secure economic future.
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