



# Are We Getting Our Money's Worth?

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Tax-Increment Financing and  
Urban Redevelopment  
In Denver

Part III:

**Are We Building a Better Denver ?:**  
Job Quality & Housing Affordability  
at TIF-Subsidized Projects

new ideas  
new priorities  
new economy

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## Executive Summary

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Tax increment financing (TIF) subsidies are one of the most powerful and important tools currently available to cities to promote redevelopment of blighted properties. TIF is like a redevelopment credit card – we can buy new projects now and pay them off with future tax revenue.

But like a credit card, TIF subsidies pose risks and should be used carefully. TIF imposes real costs on taxpayers. In Denver, we have already mortgaged over \$500 million in future tax revenue to pay off existing TIF subsidies to private developers. The city is poised to increase that sum substantially with several new TIF projects in the next five years. Diversions of tax revenue to pay for TIF subsidies now represent an annual cost of almost \$30 million to Denver taxpayers, and are rising rapidly.

TIF is a public investment in private projects. Like any investment, it is meant to deliver a substantial increase in value to the investor—in this case, the public.

Are we getting our money's worth?

In this report – Part III of a three-part series<sup>1</sup> – we continue to explore this question by analyzing the kinds of wages and benefits that are paid at TIF-subsidized projects, the housing mix that is provided at the projects, and the effect of these projects on surrounding communities in terms of property values, gentrification and displacement.

### Key Findings

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- **Jobs at TIF-Subsidized Projects Pay Wages Below Denver's Average, Even for Similar Occupations**

Contrary to the ostensible purpose of publicly-subsidized economic development, TIF-subsidized projects may be exacerbating the growing problem of low-wage/low-benefit employment in Denver. Wage surveys at three signature TIF-projects reveal that jobs there pay substantially less than Denver average wages, and 14%-27% less even than average wages for comparable occupational categories. In short, these TIF projects are expanding the low-wage/low-benefit sector of Denver employment.

- **Wages at TIF Subsidized Projects Fall Short of Family Self-Sufficiency, Imposing Hardship on Workers and Costs on the Public**

Wages at the three major TIF-subsidized projects examined in the study are so low as to leave most workers' families unable to provide for basic family needs

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<sup>1</sup> Part I of the series (*What Do TIF Subsidies Cost Denver?*) explained the history and mechanics of TIF, and analyzed the total cost of TIF to Denver taxpayers, including "hidden" costs from increased public service burdens that TIF projects do not pay for. Part II of the series (*Who Profits from TIF Subsidies?*) examined the types of businesses Denver attracts through TIF, and the profit rates of developers with whom Denver partners to bring TIF projects into existence, and the transparency of the TIF approval process. Both are available at [www.fresc.org](http://www.fresc.org).

on their own. At these three projects alone, the estimated “self-sufficiency deficit” amounts to almost \$23 million a year. This results either in personal family hardship – extra jobs taking time away from family and community activity, skipped meals, missed payments of bills, unsupervised children – or costs imposed on publicly-funded assistance. At the three TIF projects examined here, it is estimated that workers are eligible for roughly \$10 million annually from various public aid programs.

- **Expecting Better Wages and Benefits at TIF-Subsidized Projects will not Harm Denver’s Business Climate**

There is little evidence from case studies of other cities that moderately increased local wages harm the local business climate. Many cities already encode living wage standards and community benefits expectations into subsidy programs and studies generally show no effect in terms of rising unemployment. In fact, many high-road, high-wage employers support encoding wage expectations into city subsidies as a way of leveling the playing field against low-wage, low-road employers. Moreover, stimulating higher wages can be a growth strategy, creating a high-quality, motivated labor force and increasing local spending and tax revenues.

- **Employees at TIF-Subsidized Projects face Unaffordable Housing Burdens and the Housing Mix at TIF-Subsidized Projects Does Not Serve Most Denver Residents**

Contrary to the ostensible purpose of publicly-subsidized economic development, TIF-subsidized projects are exacerbating the housing affordability crisis in Denver. First, because of the low wage structure at TIF-projects, well over half of employees at TIF sites are estimated by HUD standards to face unaffordable rent burdens (paying more than one-third of income on housing). More broadly, housing created at TIF-subsidized projects is overwhelmingly high end and unaffordable to average Denver families. In eight key downtown projects receiving a total of \$30 million in TIF subsidies, only 16% of 1387 housing units are affordable to families earning less than \$42,000 (60% of Area Median Income); *none* are affordable to low-income families earning less than \$21,000 a year.

- **Neighborhood Gentrification and Declining Minority Populations are Correlated with an Infusion of TIF Dollars**

TIF-subsidies are targeted to lower-income, “blighted” areas, in the hope of leveraging neighborhood transformation by increasing area property values and business activity. While these goals are generally positive, pursuing them without attention to the needs of existing area residents entails a risk of neighborhood gentrification and displacement of low-income families. TIF-subsidized projects are concentrated in Denver’s core-city and downtown neighborhoods, areas that have traditionally been home to Denver’s lower-income and non-white communities. The infusion of hundreds of millions in TIF redevelopment subsidies in these areas of town is correlated with rising property values and declining low-income housing stock. Although most of Denver became less “white” in the last decade as new immigrants moved to the city,

areas targeted by TIF dollars displayed the opposite trend, and whites actually grew as a percentage of the population in those communities. Though they once boasted some of the city's longest tenure patterns, neighborhoods targeted by TIF changed in the last decade so that the average length of time living in the community is shorter than the city average, suggesting residential displacement and neighborhood transformation. This evidence suggests that long-time, lower-income, non-white residents of Denver are not sharing fully in the benefits of TIF-leveraged urban renewal.

## **Recommendations**

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Our purpose with these reports is constructive. We support TIF as a powerful tool for stimulating urban redevelopment and building a better Denver for all. Its use and management, however, need to be substantially reformed to ensure that these major tax-funded investments deliver the strongest possible returns to the public and that these investments can be understood and held accountable.

### **Make Job Creation an Explicit Component of the Subsidy-Approval Process and Establish a System for Tracking Job Creation and Job Quality Performance**

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If job creation is a goal of subsidized economic development, the number and types of jobs created by TIF-subsidies should be an explicit part of both the TIF project planning and approval process. Just as DURA and project developers are responsible for estimating future project revenues, an employment projection, including wage and benefit projections, would allow the city to estimate the true net economic impact of any development. The City should also establish a reporting system that allows for tracking the number, wages, and benefit structure of the jobs actually created.

### **Establish Minimum Job Quality Standards for Subsidy-Created Jobs**

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Low wage jobs without health care contribute little to our local economic vitality and impose hidden costs on the publicly-funded service system. Wage and benefits standards focused on achieving family self-sufficiency should be established for jobs at TIF-subsidized projects. These minimum standards should include expectations for the provision of affordable health care for workers. Mechanisms to meet this health care goal include: recruiting tenants who already provide health care, establishing health insurance purchasing pools for employees of TIF-subsidized projects, or including these employees in the City of Denver health plan.

Establishing living wage and benefit standards would ensure that taxpayer-subsidized job creation is indeed a net economic benefit to the City, rather than a hidden increase in public service burdens. Using TIF tax subsidies to create jobs with health care, child care, and self-sufficiency wages would help move more Denver families out of poverty, and ensure our public investments have maximal impact by creating more families with more money to inject into the local

economy. Accountability rules could be established that reduced TIF outlays to developers in cases where agreed upon jobs standards were not met.

### **Establish Meaningful Affordable Housing Requirements for TIF-Subsidized Projects**

DURA, working with the City and community stakeholders, should draft an affordable housing policy for all TIF-subsidized developments. This policy should be designed to match the goals of Denver's official housing plans. The 1999 Denver Housing Plan noted that Stapleton was the city's best chance to expand low-income housing, but the Stapleton development plan did not adequately address that goal. The 2005 Report of the Commission on Homeless advocates for low-income housing along transit lines, but it is unclear how that goal will be incorporated at sites like the Cherokee/Gates redevelopment at I-25 and Broadway. City officials should be serious in meeting these goals through better affordable housing expectations on TIF projects.

Strategies to achieve a better affordable housing mix at TIF-subsidized sites could include: development impact fees channeled into a housing trust fund, revolving funds to improve housing affordability (e.g., a down-payment fund for for-sale housing and a deposit fund for rental housing), and a commitment that projects subsidized with public funds deliver affordable housing to lower income levels and at higher unit counts than currently required of non-subsidized developers under Denver's Inclusionary Housing Ordinance

### **Document the Effects of Development on Surrounding Neighborhoods**

Evidence suggests that TIF-subsidized development catalyzes gentrification and displacement of long-time neighborhood residents. DURA should track the downstream effects of TIF-leveraged investments by documenting the effects on surrounding neighborhoods over time – and make this documentation available to the public. Changes in household income, racial demographics, household tenure patterns, and other factors should be monitored to ensure that development is benefiting, rather than displacing, surrounding neighborhood residents.

### **Draft Policy to Ensure TIF-Subsidized Development Maximizes Benefits for All Denver Residents**

To help broaden the range of residents benefiting from TIF-subsidized developments and to mitigate the tendency of TIF projects to catalyze gentrification and displacement, city officials should draft appropriate policy to address this issue. Appropriate policy responses could include elevated affordable housing requirements at TIF-projects, more comprehensive First Source hiring programs for surrounding neighborhoods, and supplementary investment in smaller businesses serving long-time neighborhood residents.

## Introduction

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Over the last decade, through the instrument of “tax-increment financing” (TIF), Denver tax payers have committed over half a billion dollars in public subsidies to more than twenty private development projects in Denver. These commitments have, in turn, leveraged ten times that amount – over \$5 billion – in private investment. In coming years, many hundreds of millions more in tax-funded TIF subsidies are likely to be committed to new projects, including the redevelopment of the old Gates Rubber Factory complex at I-25 and Broadway, and the realization of Denver’s ambitious plans for the downtown Union Station area.

TIF-subsidized projects are everywhere: they occupy multiple blocks of downtown redevelopment, including the landmark resurrection of the Denver Dry Goods building. The Adams Mark hotel, Denver Pavilions, and REI flagship store are all TIF projects. The demolition of the old Woolworth’s building and construction of the sprawling Broadway Marketplace shopping area at Broadway and Alameda was heavily subsidized by TIF. So was the relocation and expansion of Elitch’s into the Six Flags Elitch Gardens Amusement park. The redevelopment of Lowry Air Force Base is a TIF project, as is the redevelopment of the old Stapleton airport – the largest urban infill project in the nation.

TIF has played an enormous role in transforming Denver’s urban landscape and Denver tax payers have reason to be proud of the impact their investments have made on their city.

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TIF subsidies are not costless, however. TIF never shows up on the City’s books, but it is nonetheless a commitment of real tax revenue – a “tax expenditure.” TIF tax expenditures are incurred not through direct budget appropriations but through forgone tax revenue. These expenditures now total nearly \$30 million annually – equal to almost 7% of Denver’s entire annual General Fund revenues. This sum is rapidly increasing.<sup>2</sup>

As with any expenditure of this magnitude, it is proper to ask: “Are we getting our money’s worth?”

Has the investment of hundreds of millions of taxpayer dollars in TIF-subsidized projects improved the lives of Denver residents and expanded the public treasury? Especially in light of the City’s current budget woes and belt-tightening – a shortfall of \$47 million in 2003, \$60 million in budget cuts in 2004, further cuts of \$15 million in 2005, and only slow budget growth for 2006 – it is important to reflect and assess: Are we getting enough back from TIF-invested projects to justify annual diversions of almost \$30 million well into the foreseeable future? Given the steadily increasing scale of TIF subsidies, it is prudent to pause and

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<sup>2</sup> Denver’s General Fund is made up of two different revenue streams. The first and most important is revenue from general sales and property taxes. This is commonly understood as the “General Fund,” from which City officials have discretion to spend on the broad panoply of public purposes. The second is revenue from dedicated mill levies that can only be spent on their dedicated purposes (e.g. urban drainage and flood control, fire and police pensions). In 2002, DURA’s subsidies equaled 6.8% of the *first* kind of revenue stream (the discretionary General Fund).

consider: Are we wise to increase our public support for private, for-profit development?

To answer these questions, we engaged in a careful examination and analysis of data and records from the Denver Urban Renewal Authority (DURA), the principal agency charged with administering TIF in Denver; gleaned public tax and property records; applied statistical data from the U.S. Census Bureau and other public sources; employed analysis from the Colorado Fiscal Policy Institute and other respected local and national research entities; and carried out our own original field, survey, and statistical research.

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While our research examines TIF-subsidized redevelopment across Denver, our research focuses in particular on three signature TIF-subsidized projects:

- The Denver Pavilions, in downtown Denver
- Broadway Marketplace, in south Denver
- Quebec Square, in the Stapleton redevelopment area

These three projects represent, respectively, TIF-subsidized redevelopment in three different Denver locales: downtown, a core Denver neighborhood, and an outer-Denver area. In each project, the TIF commitment was a substantial component – over 15% – of the overall project financing. Finally, these three TIF sites are major employment centers; together, they represent roughly three-quarters of the direct permanent jobs created at *all* TIF projects in Denver.<sup>3</sup>

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In this study, we tackle the question of “Are we getting our money’s worth?” by answering three subsidiary questions. Each of these questions is treated in a separate volume of this study, being released sequentially.

### **Part I: What Do TIF Subsidies Cost Denver?**

Part I was released in January 2005. After an introductory section giving a history of TIF and an explanation of how TIF works, we demonstrated that TIF is not “free money,” that TIF projects cannot be understood to “pay for themselves,” and quantified precisely how much Denver tax revenue is being diverted to pay for TIF subsidies. We also demonstrated the additional “hidden costs” of TIF through the increased burden of public services consumed by TIF projects and the failure of TIF projects to help pay for these services, thereby leaving Denver’s existing taxpayers and property owners to shoulder the additional burden.

In addition to our analysis, we offered four concrete recommendations for the public and political leaders to act upon to address shortcomings and improve the effectiveness and public accountability of TIF. These recommendations are:

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<sup>3</sup> Employment estimates from DURA, *Denver Urban Renewal Authority Project Employment Estimates* (January 9, 2003); and the Stapleton “Green Book” Development Plan. Employment estimate for Stapleton is for maximum employment at full build-out.



- Account for TIF expenditures in the Denver budget.
- Consider a ceiling on the growth of TIF commitments.
- Hold revenue projections accountable against actual performance.
- Ensure TIF projects pay a portion of their “fair share” for city services.

## ***Part II: Who Profits from TIF Subsidies?***

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Part II of this study focused on the private businesses with which we partner and attract to Denver through TIF projects. What kinds of companies – and what kind of profits – are Denver taxpayers subsidizing? What kinds of businesses are we encouraging to expand in Denver through our TIF commitments? The study documented that while local businesses maximize local economic benefits, TIF has been used instead to subsidize large, national chain stores. Our evidence also suggested Denver may be creating unfair competitive advantages for certain developers by subsidizing profit rates higher than those prevailing in the industry. This evidence also pointed to a further problem with Denver’s TIF system: TIF transactions lack transparency, making them unaccountable to the public.

We offered four recommendations to address these issues:

- Establish a policy promoting local business recruitment to TIF projects.
- Reorient the focus of Denver’s TIF strategy towards smaller-scale neighborhood projects more appropriate to local small businesses.
- Make TIF transactions more transparent and accountable.
- Consider establishing a market-based ceiling on private returns enabled by TIF, or increasing the public’s share of revenue on well-performing projects.

## ***Part III: Are We Building a Better Denver with TIF Subsidies?***

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The final volume of this study focuses on the downstream impact of TIF on Denver’s ordinary residents and working people. Central to the purpose of economic development is job creation. What kinds of jobs are Denver tax payers helping create through TIF subsidies? Housing is a substantial component of many TIF-subsidized projects. Are these tax-funded investments in new housing helping address Denver’s housing affordability crisis? Neighborhoods targeted for TIF subsidies tend to be lower-income communities, traditionally home to Denver’s communities of color. How is TIF-subsidized redevelopment impacting the stability of these communities?

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While the public value of TIF-subsidies is clear and demonstrated, and the contribution of TIF-subsidized projects to Denver’s economic development is substantial, the answers to these specific questions about TIF in Denver are not always flattering. Our analysis points to problems with the practices and policies by which TIF is governed and applied in Denver, and to shortcomings in the outcomes Denver tax payers are realizing through TIF-subsidized projects.

*Are We Getting Our Money's Worth ?*

This series of reports is not only critical, however; our purpose and goals are constructive. Our ambition is to ensure that Denver's tax-funded investments in economic development deliver the strongest possible returns to the public, and that those investments can be understood, judged, and held accountable by the public in whose name and on whose behalf those investments are being made.

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Tax-increment financing is complex, complicated, and often obscure. And it is vitally important to the economic and social health of our City. Our hope with these three reports is to engage the City's political and economic leaders, the Denver business and development community and the rich diversity of neighborhood, faith-based, issue-advocacy, and public-interest organizations active in our community and to ensure that with tax-increment financing, we are, indeed, getting our money's worth.

## Are We Building a Better Denver Through TIF-Subsidized Projects?

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Having detailed the costs to Denver of subsidized urban renewal and the private business impacts derived from it, we can now answer the most crucial question: are we building a better Denver through our use of TIF? Denver taxpayers are diverting substantial sums into TIF development subsidies, and the logic for these investments is that they result in economic development that benefits average Denver citizens. *Yet, how TIF-subsidized development affects the average Denver citizen has not been well documented.* In this study, we examine three key ways in which TIF subsidized projects influence the quality of life for average Denver residents:

- 1) The quality of the new jobs, in terms of wages and benefits, being created at TIF-subsidized developments.
- 2) The kind of housing, in terms of affordability levels, that TIF is subsidizing, and the kind of housing that can be afforded by employees at TIF-subsidized projects.
- 3) The effect of TIF-leveraged projects on surrounding communities, which have tended to be Denver's lower-income communities of color.

This section will analyze costs and benefits, both public and personal, derived from TIF-subsidized development in terms of jobs and housing. While many benefits from TIF projects are clear, our analysis also shows substantial "hidden" costs, both to the public at large and to individual families. These costs are the combined downstream impacts of low-wage jobs and high-end housing. This development pattern imposes personal family costs, in terms of diminished living standards, and public costs, in terms of increased social service caseloads.

Furthermore, there is evidence that TIF-subsidized development is having a gentrification/displacement effect on lower-income communities. Much of the goal of TIF subsidies is to improve the investment climate and property values in "blighted" areas. The unfortunate consequence of success in this regard is to reduce low-income housing stock, displace long-term residents, and transform traditional communities of color with new, affluent, white residents. It behooves Denver officials to consider policies that would help balance the gentrification/displacement effect of TIF with strategies to help low-income residents more easily benefit from urban renewal activities. Such strategies include: more affordable housing at TIF projects; programs such as "First Source" hiring, which targets area residents for new jobs at the TIF site; providing important community services at TIF sites (e.g., subsidized child care); and demanding good jobs with benefits at TIF projects.

## Good Jobs: Are TIF Projects Making Denver a Better Place to Work?

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Besides the additional tax revenue created (or not created) for Denver, a key justification for Denver's substantial TIF subsidies for redevelopment projects is job creation. TIF-subsidized projects have, without question, created thousands of new jobs in Denver. But neither DURA nor the city have analyzed the *quality* of the jobs created, nor the impact of TIF-subsidized projects on Denver's employment structure.

The benefits of *quality* employment and the costs of low-wage/low-benefits jobs are not only experienced personally, by employees, they are also experienced publicly. Adequately compensated workers are better able to support their families, contribute more in taxes, and have the time and energy to fully participate in public life. Workers paid less than a family-sustaining wage and without adequate benefits represent substantial public liabilities – through expenditures for food and housing assistance, mounting costs for uncompensated health care, and increased dependence on a host of other publicly-funded services necessary for low-income families to survive.

It is critical to determine whether TIF-subsidized projects are catalyzing quality jobs for Denver's residents or whether they are contributing to negative recent trends of shrinking wages and declining benefits.

The worrisome deterioration in employment trends is well-documented. In the last decade, Colorado's low-wage job sectors have grown rapidly while quality jobs with health-care and pension benefits have shrunk. In the 1990s, 81% of jobs in Colorado's 20 fastest growing sectors paid less than a "living wage" (below \$32,866 a year); 51% of these jobs paid only half a living wage (below \$16,433).<sup>4</sup> More recent Bell Policy Center research shows that although Colorado has entered economic recovery in recent years, much of the job growth has occurred in low-wage sectors, forcing more people into contingent jobs, double jobs, or jobs without health care.<sup>5</sup> The findings of the Mayor's blue-ribbon Commission to End Homelessness confirm that many of these families have not experienced adequate wage gains to keep up with area housing prices.<sup>6</sup>

According to the Colorado Fiscal Policy Institute (COFPI):

*"We all know that prosperity depends on jobs, but it is important to look at not only the number of jobs available, but the quality of those jobs. While the 1990s saw solid growth of 3.7 percent in jobs in Colorado, the quality of those jobs decreased. Like the*

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<sup>4</sup> National Priorities Project, *Working Hard, Earning Less: The State of Job Growth in Colorado* (Northampton, MA: December 1998) downloaded from [www.nationalpriorities.org/auxiliary/somePdfs/WorkingHardEarningLess/co.pdf](http://www.nationalpriorities.org/auxiliary/somePdfs/WorkingHardEarningLess/co.pdf) on October 12, 2005. For a discussion of the meaning of a living wage, and what such a wage looks like in Denver, see following section on the "Self-Sufficiency Standard."

<sup>5</sup> The Bell Policy Center, *Opportunity Lost: When Hard Work isn't enough for Colorado Families* (Denver: 2004) downloaded from [www.thebell.org/pdf/OpLost.pdf](http://www.thebell.org/pdf/OpLost.pdf) on July 25, 2005.

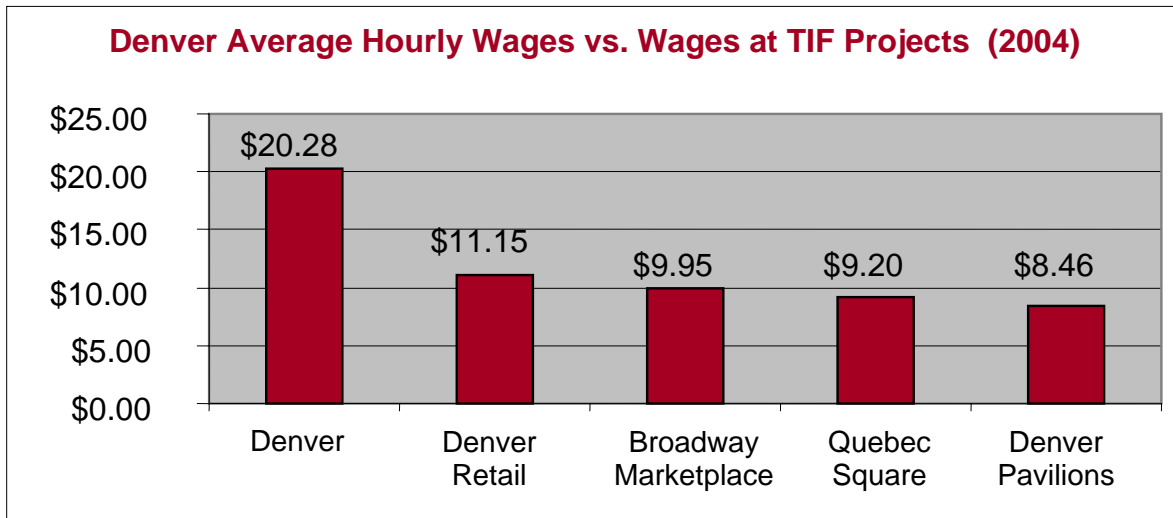
<sup>6</sup> Denver Commission to End Homelessness, *Ten Year Plan to End Homelessness* (City and County of Denver: 2005).

country as a whole, Colorado saw a shift away from higher-paying jobs in manufacturing and government toward lower paying service and service-related jobs from the late 1970s to 2001. Accompanying the growth in lower-paying industries was a decline in the number of Colorado workers with affordable employer sponsored health insurance.”

Colorado Fiscal Policy Institute, *The State of Working Colorado 2002*<sup>7</sup>

If a core value of public subsidies is job creation, TIF should not facilitate the shift towards low-wage/low-benefit employment. To every degree possible, tax-invested projects should create quality, full-time jobs, at family-sustaining wages, with adequate health-care, training, and retirement benefits – jobs that allow residents to build healthy, productive and self-sufficient lives in our community.

Unfortunately, our analysis indicates that TIF-subsidized redevelopment is contributing to the expansion of low-wage/low-benefit employment in Denver.



Source: Bureau of Labor Statistics, Occupational Employment and Wage Estimates (November 2004)<sup>8</sup>

The three TIF-subsidized projects featured in this report – representing almost three-quarters of DURA’s reported permanent job creation from TIF – are all dominated by retail employment. While average hourly wages in Denver as a

<sup>7</sup> Colorado Fiscal Policy Institute, *The State of Working Colorado 2002: Troubling Trends* (Fall 2003) pp. 4-5.

<sup>8</sup> To generate the Denver PMSA “average retail wage,” to which we compare the average retail wages from job surveys at the three TIF-subsidized sites, we first identified the BLS data that reports average PMSA wages in six different retail job categories that parallel the categories of jobs held by those we surveyed: first-line supervisors, cashiers, counter clerks, retail salespersons, hairstylists, and fast food clerks. We then calculated a weighted average from the wages in the six BLS job categories, in order to roughly parallel the percentage of workers we surveyed in each job category: 10% managers, 5% hairstylist/personal care, 10% fast food, and 25% each of cashiers, counter clerks, and retail salespersons. USDOL, BLS, November 2004 Metropolitan Area Occupational Employment and Wage Estimates for Denver, CO PMSA downloaded on November 21, 2005, from [http://www.bls.gov/oes/current/oes\\_2080.htm#b00-0000](http://www.bls.gov/oes/current/oes_2080.htm#b00-0000).

whole are over \$20, average hourly wages in retail are only \$11.15.<sup>9</sup> Hence public subsidies are actively facilitating expansion of a low-wage sector. More troubling, however, average wages at these three projects are substantially below the \$11.15/hour average for retail jobs in the rest of the city: \$9.95/hour at Broadway Marketplace, \$9.20/hour at Quebec Square, and \$8.46/hour at Denver Pavilions.<sup>10</sup>

### When is a Job Not “Good Enough”? Federal Poverty Level vs. Self-Sufficiency Standard

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Average wage patterns show that the employment structure of TIF-subsidized projects is driving down the quality of jobs in Denver, hence imposing personal costs – in the form of reduced quality of life – for many Denver residents. Additionally, these low wage jobs are not good enough to allow workers to live without imposing public assistance burdens on the surrounding community. Perversely, then, the low-wage employment structure at TIF-subsidized projects is imposing additional social service costs on the tax-payers who subsidized the TIF project in the first place.

To begin to document the true nature of the costs of low-wage jobs to a workers' family and to the public at large, we can begin by estimating how much a worker needs to earn to meet basic family needs. The most common metric used to gauge whether income is sufficient to meet a family's needs is the Federal Poverty Level (FPL). The FPL is published annually by the U.S. Department of Health and Human Services, and establishes an income threshold below which a family can be considered “in poverty.”

There are, however, major and well-recognized methodological problems with the FPL. Most importantly, the FPL assumes that a family spends 33% of income on food, determines a family's “thrifty” food budget in order to meet basic nutritional needs on a temporary basis, and then multiplies that figure by three. This FPL formula was designed in the 1960s and has remained unchanged. In the meantime, however, the cost of food as a percentage of a family budget has decreased dramatically, while other costs (such as housing, health care, child care, and transportation) have dramatically increased. The FPL therefore draws a poverty line that is much lower than it would be if one were to accurately consider the real costs faced by low-income families.<sup>11</sup> The FPL also considers the costs associated with each family member as identical, as if the costs of caring for an infant were the same as for a grown adult. Finally, the FPL makes no distinctions between families in different geographical or urban-versus-rural

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<sup>9</sup> Denver's average wage was \$20.28 in November of 2004. U.S. Dept. of Labor (US DOL), Bureau of Labor Statistics (BLS), November 2004 Metropolitan Area Occupational Employment and Wage Estimates for Denver, CO PMSA downloaded from [http://www.bls.gov/oes/current/oes\\_2080.htm#b00-0000](http://www.bls.gov/oes/current/oes_2080.htm#b00-0000) on November 21, 2005.

<sup>10</sup> FRESC conducted a wage and benefits survey in the summer of 2004, and supplemented it with additional survey data in 2005. FRESC field researchers randomly surveyed 245 employees from a wide range of establishments at the three targeted TIF sites (“FRESC Wage Survey”). Based on a total estimated worker population of 3,180 (based on DURA documents listed in footnote 3 above), the survey reached about 8% of all employees.

<sup>11</sup> This is amply reflected in federal government policy itself by the fact that virtually every poverty relief program targets families at some substantial percentage above the official FPL: often as high as 200% of the FPL.

regions. In other words, the FPL for a family of four living in Denver is the same as for a family of four living in the rural San Luis Valley or in New York City.<sup>12</sup>

A much more accurate and useful metric for gauging income sufficiency is the *self-sufficiency standard*. This is the product of a nationwide effort by leading economists and social scientists to evaluate true income health in America. The self-sufficiency standard is based on *county-by-county* data of the *real* costs of the *entire* basket of expenses a family faces in order to get by on its own (including such expenses as taxes and child care). In addition to taking geographical location into account, the self-sufficiency standard also accounts for family composition and work status. For example, the income necessary to support a family with a toddler is higher than that necessary to support a family with a teenager; the self-sufficiency income from each wage-earner in a two-parent family is much lower than that for a single parent with a family of the same size.

*The self-sufficiency standard measures how much income is needed, for a family of a given composition in a given place, to adequately meet its basic needs – without public or private assistance.*

Colorado Fiscal Policy Institute, *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget*<sup>13</sup>

With respect to identifying the quality of employment at TIF-subsidized projects, the self-sufficiency standard allows us to identify “good” jobs objectively and empirically, not only with respect to the quality of life for the families in question, but also with respect to the fiscal interests of the public at large. By this metric, a “good” job is one that allows a family to be self-sufficient and not suffer; it is also a job that does not impose additional burdens on publicly-financed social services and low-income family support.

Below is a table representing the self-sufficiency standard for different family types in Denver. The self-sufficiency numbers presented here are higher than the FPL, but by no means do they represent a padded expense estimate. These figures include enough income to meet minimum nutrition standards, but no money is included for secondary expenses, such as school supplies, or for savings or emergency expenses. Moreover, while families are assumed to face non-trivial expenses for health care, they are also assumed to be recipients of employer-sponsored health care – a very generous assumption, given high and rapidly escalating rates of uninsurance.

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<sup>12</sup> United Auto Workers, *Making Ends Meet: New Approaches to Measuring Poverty*, downloaded from [http://www.uaw.org/publications/jobs\\_pay/01/0901/jpe02.html](http://www.uaw.org/publications/jobs_pay/01/0901/jpe02.html) on October 15, 2005. See also, Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget* (Colorado Fiscal Policy Institute: April 2004).

<sup>13</sup> Diana Pearce and Jennifer Brooks, *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget* (Colorado Fiscal Policy Institute: April 2004), p. 1, based on data from the U.S Department of Health and Human Services.

### Self-Sufficiency Wage Calculation for Different Family Types in Denver

Monthly Costs	Single Adult	Adult + Infant	Adult + Infant + Preschooler	2 Adults + Infant + Preschooler
Housing	\$637	\$897	\$897	\$897
Child Care	\$0	\$613	\$1,263	\$1,263
Food	\$182	\$266	\$358	\$515
Transportation	\$257	\$262	\$262	\$507
Health Care	\$86	\$199	\$219	\$257
Miscellaneous	\$116	\$224	\$300	\$344
Taxes	\$283	\$506	\$719	\$764
Earned Income Tax Credit (-)	\$0	\$0	\$0	\$0
Child Care Tax Credit (-)	\$0	-\$63	-\$100	-\$100
Child Tax Credit (-)	\$0	-\$83	-\$167	-\$167
<b>2004 Annual Self-Sufficiency Wage</b>	<b>\$18,732</b>	<b>\$33,833</b>	<b>\$44,991</b>	<b>\$51,344</b>
<b>2004 Annual FPL</b>	<b>\$9,310</b>	<b>\$12,490</b>	<b>\$15,670</b>	<b>\$18,850</b>

SOURCE: Colorado Fiscal Policy Institute, *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget*

### Jobs at TIF Projects Fall Short of Self-Sufficiency: Quantifying the Hidden Costs

At an average hourly wage of \$9.20/hour (about \$19,000 a year, if full-time), the workers at the Denver Pavilions, Broadway Marketplace, or Quebec Square are likely to fall below self-sufficiency. But how likely, and how far below, depend on a number of additional factors:

- do they have children?
- do they have a spouse who also works?
- are they employed in a full-time or part-time position?

For this report, we sought to quantify the total hidden cost, on a project-by-project basis, of the jobs at these TIF projects that are “not good enough.” DURA has tracked some revenue and job creation data from their projects, but the information available is thin, particularly in regards to the *quality* of jobs created. The work in this section relies, therefore, on three additional sources of information:

- FRESC’s wage and benefit surveys at these three projects.
- Aggregate data from the US Census Bureau and Bureau of Labor Statistics.
- Analysis from other studies of Colorado’s workforce, wage and family structures, spousal earnings, etc.



Together, these data allow us to paint a rough but detailed picture of the working families who are depending on the jobs created at TIF-subsidized projects to support them. And sadly, in large part, workers can't depend on their jobs at TIF-subsidized projects to support them. In fact, the self-sufficiency gap at these three projects is substantial. Our estimate of the total unmet need – the deficit between self-sufficiency income needs and actual income – represented by the families at these projects is over \$25 million *annually*.

<b>Total Annual Unmet Family Needs of Workforce at TIF Projects</b>	
Denver Pavilions	- \$5,490,290
Broadway Marketplace	- \$7,580,956
Quebec Square	- \$9,640,773
<b>Total:</b>	<b>- \$22,712,019</b>

This puts a figure on the magnitude of the struggle these families are enduring as a consequence of low-wage employment at TIF projects. It also puts a figure on the potential scale of publicly-financed support these families may be depending on to get by. In short, this quantifies the additional “hidden” costs – both personal family costs and public costs – imposed by the pattern of low-wage/low-benefit employment at TIF-subsidized projects.

The table above offers aggregate figures for the hidden costs of low-wage employment at the three TIF projects examined in this study. On the following three pages, we present more detailed tables showing disaggregated data and estimates regarding the wages and self-sufficiency of employees at each of the three projects. These figures are derived from the hard data from FRESA's wage survey at these sites, combined with other public data regarding the distribution of different family structures, likelihoods of spousal employment, typical spousal wages, etc. These data allow us to estimate the total household income for all workers at each site, which is then compared to the household income levels necessary to sustain worker families in self-sufficiency. (For more information regarding our methods in determining family structure, spousal wages, full-time vs. part-time job distribution, etc., please see the appendix.)

### Denver Pavilions: Workforce, Wages, and Family Income Sufficiency

Family Type	Full-Time / Part-Time	# of Workers	Annual Earnings	Spousal Earnings	Total Household Earnings	Self-Sufficiency Standard	Self-Sufficiency Deficit / Surplus	Total Collective Unmet Need
Single No Dependents	Full-Time	207	\$17,596	N/A	\$16,640	\$18,732	- \$1,136	- \$235,152
	Part-Time	121	\$8,798	N/A	\$8,798	\$18,732	- \$9,934	- \$1,202,014
Single 2 Children	Full-Time	37	\$17,596	N/A	\$16,640	\$38,121	- \$20,525	- \$759,425
	Part-Time	21	\$8,798	N/A	\$8,798	\$38,121	- \$29,323	- \$615,783
Married Spouse Employed No Children	Full-Time	56	\$17,596	\$21,970	\$38,610	\$26,717	\$16,879	none
	Part-Time	32	\$8,798	\$21,970	\$34,798	\$26,717	\$8,081	none
Married Spouse Not Employed No Children	Full-Time	32	\$17,596	\$0	\$16,640	\$26,717	- \$9,121	- \$291,872
	Part-Time	19	\$8,798	\$0	\$8,798	\$26,717	- \$17,919	- \$340,461
Married Spouse Employed 2 Children	Full-Time	42	\$17,596	\$21,970	\$38,610	\$49,705	- \$6,109	- \$256,578
	Part-Time	25	\$8,798	\$21,970	\$34,798	\$49,705	- \$14,907	- \$372,675
Married Spouse Not Employed 2 Children	Full-Time	25	\$17,596	\$0	\$16,640	\$49,705	- \$32,109	- \$802,725
	Part-Time	15	\$8,798	\$0	\$8,798	\$49,705	- \$40,907	- \$613,605

**Total Estimated Annual Unmet Need Represented by Families of the Denver Pavilions Workforce : - \$5,490,290**

### Broadway Marketplace: Workforce, Wages, and Family Income Sufficiency

Family Type	Full-Time / Part-Time	# of Workers	Annual Earnings	Spousal Earnings	Total Household Earnings	Self-Sufficiency	Self-Sufficiency Deficit / Surplus	Total Collective Unmet Need
Single No Dependents	Full-Time	339	\$18,928	N/A	\$18,928	\$18,732	\$1,964	none
	Part-Time	207	\$9,464	N/A	\$9,464	\$18,732	- \$8,384	- \$1,735,488
Single 2 Children	Full-Time	59	\$18,928	N/A	\$18,928	\$38,121	- \$17,425	- \$1,028,075
	Part-Time	36	\$9,464	N/A	\$9,464	\$38,121	- \$27,773	- \$999,828
Married Spouse Employed No Children	Full-Time	90	\$18,928	\$21,970	\$40,898	\$26,717	\$19,979	none
	Part-Time	55	\$9,464	\$21,970	\$31,434	\$26,717	\$9,631	none
Married Spouse Not Employed No Children	Full-Time	53	\$18,928	\$0	\$18,928	\$26,717	- \$6,021	- \$319,113
	Part-Time	33	\$9,464	\$0	\$9,464	\$26,717	- \$16,369	- \$540,177
Married spouse employed 2 children	Full-Time	70	\$18,928	\$21,970	\$40,898	\$49,705	- \$3,009	- \$210,630
	Part-Time	43	\$9,464	\$21,970	\$31,434	\$49,705	- \$13,357	- \$574,351
Married spouse not employed 2 children	Full-Time	41	\$18,928	\$0	\$18,928	\$49,705	- \$29,009	- \$1,189,369
	Part-Time	25	\$9,464	\$0	\$9,464	\$49,705	- \$39,357	- \$983,925

**Total Estimated Annual Unmet Need Represented by Families of the Broadway Marketplace Workforce: - \$7,580,956**

### Quebec Square: Workforce, Wages, and Family Income Sufficiency

Family Type	Full-Time / Part-Time	# of Workers	Annual Earnings	Spousal Earnings	Household Earnings	Self-Sufficiency Standard	Self-Sufficiency Deficit / Surplus	Total Collective Unmet Need
Single No Dependents	Full-Time	616	\$17,784	N/A	\$17,784	\$18,732	\$404	none
	Part-Time	164	\$8,892	N/A	\$8,892	\$18,732	- \$9,164	- \$1,502,896
Single 2 Children	Full-Time	107	\$17,784	N/A	\$17,784	\$38,121	- \$18,985	- \$2,031,395
	Part-Time	28	\$8,892	N/A	\$8,892	\$38,121	- \$28,553	- \$799,484
Married Spouse Employed No Children	Full-Time	164	\$17,784	\$21,970	\$39,754	\$26,717	\$18,419	none
	Part-Time	43	\$8,892	\$21,970	\$30,862	\$26,717	\$8,851	none
Married Spouse Not Employed No Children	Full-Time	97	\$17,784	\$0	\$17,784	\$26,717	- \$7,581	- \$735,357
	Part-Time	26	\$8,892	\$0	\$8,892	\$26,717	- \$17,149	- \$445,874
Married Spouse Employed 2 Children	Full-Time	127	\$17,784	\$21,970	\$39,754	\$49,705	- \$4,569	- \$580,263
	Part-Time	34	\$8,892	\$21,970	\$30,862	\$49,705	- \$14,137	- \$480,658
Married Spouse Not Employed 2 Children	Full-Time	74	\$17,784	\$0	\$17,784	\$49,705	- \$30,569	- \$2,262,106
	Part-Time	20	\$8,892	\$0	\$8,892	\$49,705	- \$40,137	- \$802,740

**Total Estimated Annual Unmet Need Represented by Families of the Quebec Square Workforce : - \$9,640,773**

## The Personal Costs of Low-Wage TIF-Project Employment

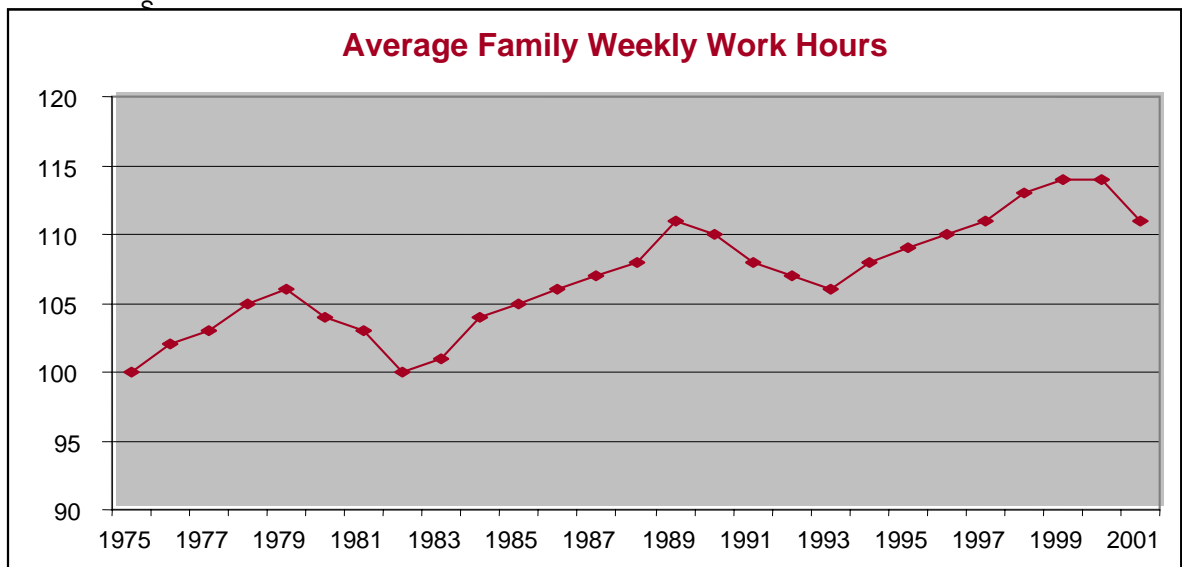
What does it mean for workers to earn less than a self-sufficiency wage? Ends must be met somehow. They are generally met through some combination of:

- The worker taking on extra work, sometimes working two or three jobs;
- The worker's family experiencing personal hardship and want;
- The worker's family relying on public relief (e.g., food stamps, free health care from Denver Health, etc.).

Each of these patterns can be documented in Denver, and each is exacerbated by the creation of low-wage jobs at TIF projects.<sup>14</sup>

### Longer Hours, Less Pay

Inspired largely by Juliet Schor's groundbreaking research in *The Overworked American*,<sup>15</sup> there have been many studies of how working class Americans have been increasingly forced to work longer hours or take two jobs to make up for declining wages. Schor's findings are supported by many independent studies, including research by Barry Bluestone and Stephen Rose,<sup>16</sup> and by the sophisticated annual profile of American wage earners in the Economic Policy Institute's *State of Working America* series.



Source: Economic Policy Institute, Economic Snapshots for July 7, 2004

<sup>14</sup> Taking on more personal debt is an additional strategy that workers might adopt while earning an insufficient wage. We do not examine the extent of this strategy among Denver's low-wage workforce.

<sup>15</sup> Juliet Schor, *The Overworked American: The Unexpected Decline of Leisure* (Basic Books: 1992).

<sup>16</sup> Barry Bluestone and Stephen Rose, "Overworked and Underemployed," *The American Prospect* (Vol. 8 no. 31, March 1, 1997 - April 1, 1997).

The findings of these various studies are clear: American workers are working ever longer hours just to stay in the same place, and the situation is especially dire for low-wage workers, such as those employed at TIF-subsidized projects. These national studies parallel what the Colorado Fiscal Policy Institute found in their "State of Working Colorado 2002" report: while workers in the lowest income quintiles have *significantly increased* the number of hours worked between 1979 and 2002, families in the highest income quintile actually *decreased* their total hours worked.<sup>17</sup>

## Family Hardship

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In 2002, The Colorado Fiscal Policy Institute (COFPI) determined the percentage of low-wage families that experienced a variety of hardship in their living conditions. They surveyed hundreds of families at 200% of FPL (annual incomes ranging from \$17,180 to \$35,300, depending on family size). This income range is shared by over two-thirds (2165 out of 3183) of the employee families at the three TIF-subsidized projects examined in this report.

COFPI concluded that these families generally did not earn enough to live self-sufficiently. This resulted in the following rates of hardship and suffering:<sup>18</sup>

- 40% worried about food
- 20% skipped meals regularly
- 15% did not receive necessary medical care
- 20% had missed a house or utility payment
- 8% had experienced a telephone disconnection
- 5.5% used emergency room as their main source of health care
- 7% of the children under 12 had to care for themselves

By attracting and subsidizing the creation of low-wage jobs paying 200% of the FPL or less, Denver's TIF policies have done nothing to minimize the likelihood of these outcomes among TIF project employees.

We should not excuse such an outcome with the argument that TIF subsidies are merely leveraging low-wage job growth in an economy that is generally defined by low-wage job growth. As already demonstrated, our TIF subsidies are catalyzing jobs that actually pay substantially *below* the average Denver wage, and even below the average wage for the same retail job sector.

Considering both the overall scale of Denver's TIF subsidies, and the very substantial component they represent for the financing of many projects, it is not unreasonable to expect TIF subsidies to be used to attract retail tenants or other industries that pay *more* than Denver average wages, rather than *less*.

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<sup>17</sup> Colorado Fiscal Policy Institute, *State of Working Colorado, 2002: Troubling Trends* (2003) downloaded from <http://www.cclponline.org/whatsnew/SWCO2002.pdf> on October 15, 2005.

<sup>18</sup> Colorado Fiscal Policy Institute, *State of Working Colorado, 2002: Troubling Trends* (2003) downloaded from <http://www.cclponline.org/whatsnew/SWCO2002.pdf> on October 15, 2005.

## **The Public Costs of Low-Wage TIF-Project Employment**

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Beyond the problems created for *individual* workers employed in the low-wage/low-benefits jobs at TIF-subsidized projects, many scholars have also shown there are substantial *public* costs borne by a community that promotes job growth in low-wage businesses whose workers survive by relying on public support.<sup>19</sup>

We should be concerned when government tax expenditures, such as TIF, subsidize what can be called *parasitic industries*: businesses that achieve capital gains by paying wages so low as to sap worker vitality, depress community productive capacity, and require expanded poverty relief expenditures by government. Subsidizing such industries represents a moral hazard – the more we support employers paying sub-par wages, the more we encourage their expansion. In fact, low-wage businesses have effectively become reliant on “government assistance programs to make up the difference between these wages and what it costs their employees to live. Without the intervention of government and private charities, paying poverty wages wouldn’t be a sustainable business practice.”<sup>20</sup>

The following is a partial catalogue of government assistance programs low-wage employers at TIF projects depend upon to sustain their employees. We also attempt to quantify the total cost of this government assistance borne by taxpayers and stemming from the pattern of low-wage employment at TIF projects.

### **The Earned Income Tax Credit**

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The Earned Income Tax Credit (EITC) is a federal program, first implemented in 1975. It enhances the income of low-wage families through direct tax credits to qualifying low-income tax filers, thereby rewarding the work effort of low-wage workers and helping low-income families move towards self-sufficiency. Like all tax credit programs, however, its costs are borne directly out of the public treasury.

Based on the estimated family incomes of employees at the three TIF-subsidized sites examined in this report, we can estimate the level of EITC payments for which these employees are eligible.<sup>21</sup>

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<sup>19</sup> See, for example, L. Duggan, “Retail on the ‘Dole’: Parasitic employers and Women Workers,” *NWSA Journal* (13 (3): 2001), pp. 97-115; R. E. Prasch, “What is wrong with subsidies?” *Journal of Economic Issues* (36 (2): 2002), pp. 357-65; R. E. Prasch and F. A. Sheth, “The economics and ethics of minimum wage legislation,” *Review of Social Economy* (57 (4): 1999), pp. 466-87; and D. R. Stabile, *Work and Welfare: The Social Costs Of Labor In The History Of Economic Thought* (Greenwood: 1996).

<sup>20</sup> K., S. Kraut, Klinger, and Collins, *Choosing The High Road: Businesses That Pay A Living Wage And Prosper* (United for a Fair Economy: 2000).

<sup>21</sup> Estimated Family Earnings are an average of Family Earnings for each income category at the three DURA redevelopment sites studied for this report (Broadway Marketplace, Quebec Square, and Pavilions), rounded to nearest hundred. These Family Earnings are drawn from the workforce wage charts above, pages 19-21. EITC eligibility estimates taken from IRS, *EITC Eligibility for 2003 Tax Year* (2004).

**Federal EITC Eligibility of Employees at Pavilions, Broadway Marketplace, Quebec Square**

	<b>Family Income</b>	<b>Total # of Employees</b>	<b>EITC per Family</b>	<b>Total EITC Eligibility</b>
Single No Children	\$16,500	1654	\$0	\$0
Single 2 children	\$16,500	288	\$3,626	\$1,044,288
Married / Spouse Employed No Children	\$42,500	440	\$0	\$0
Married / Spouse Not Employed No Children	\$16,500	260	\$0	\$0
Married / Spouse Employed 2 Children	\$42,500	341	\$0	\$0
Married / Spouse Not Employed 2 Children	\$16,500	200	\$3,837	\$767,400

**Total: \$1,811,688**

As illustrated in the table above, the low-wage jobs at these three projects alone represent a potential public liability of \$1.8 million annually in federal funds. This table does not include the additional potential costs of including the Colorado EITC, a further 10% of the federal credit, drawn from state funds. Though the state credit is irregular and dependent on TABOR surpluses, if it were in place, the annual liability to taxpayers represented by these low-wage employees under both federal and Colorado EITCs grows to almost \$2 million annually.

**Other Forms of Public Relief: Child Care Assistance, Food Stamps, Medicaid, CHP+, and Housing Assistance**

The most vulnerable family type of all – and hence the family most dependent on public assistance for survival – is the single-parent family. Helpfully, the COFPI Self-Sufficiency study makes a precise calculation of the public assistance services available in Denver to this family type at four different hourly wages: \$5.15, \$6.75, \$9.00, and \$12.00.

Using the COFPI data for \$9.00 per hour – the wage closest to the average wages found at the three TIF projects examined in this study – together with our previous calculations regarding the distribution of different families types in the workforce, we can calculate the total public assistance eligibility of single-parent employees at these three projects.

We estimate that 288 single parents are employed at these three TIF projects. Earning \$9.00 an hour, these employees, as illustrated in the following table, are eligible for over \$6 million dollars in public assistance each year.

This is an enormous hidden public liability imposed on the public from low-wage employment, quite apart from the direct personal hardship and suffering imposed on these low-wage workers and their children. One must also keep in mind that these calculations are for a public liability represented by only one family



category – albeit the most vulnerable and needy – and that other families too are eligible for substantial public assistance when their breadwinners are earning only \$9.00 per hour. Moreover, these calculations account only for the single-parent employees at the Denver Pavilions, Broadway Marketplace, and Quebec Square. It does not include the potential public support liability of low-wage employees at other TIF-subsidized retail projects around Denver.

**Public Support Eligibility of Single-Parent Employees at TIF Projects**

Forms of Public Assistance	Eligibility Per Month for Single-Parent with Two Children Earning \$9.00 Hourly Wage
Housing Assistance	\$422
Child Care Assistance	\$1,120
Food Assistance	\$74
Health Care Assistance	\$139
Total Monthly Eligibility per employee	\$1,755
<b>Total Annual Public Support Liability 288 Single-Parent Employees</b>	<b>\$6,065,280</b>

Source: FRESW Wage Survey & Colorado Fiscal Policy Institute, *The Self-Sufficiency Standard for Colorado 2004: A Family Needs Budget*

**Jobs at TIF Projects Fail to Provide Adequate Healthcare Coverage for Employees**

Health coverage is perhaps the most critically important and socially significant benefit of employment. Unfortunately, the traditional connection between employment and health coverage is deteriorating badly: eight of ten uninsured people are members of working families.<sup>22</sup> As health care costs have risen, the number of employers providing health coverage has dropped nationwide: from 2000 to 2002, the number of workers covered by employer-sponsored insurance dropped by 1.5 million adults, or 2.8%.<sup>23</sup> Over the same period, 3.7 million people were added to rolls of state programs or Medicaid.<sup>24</sup>

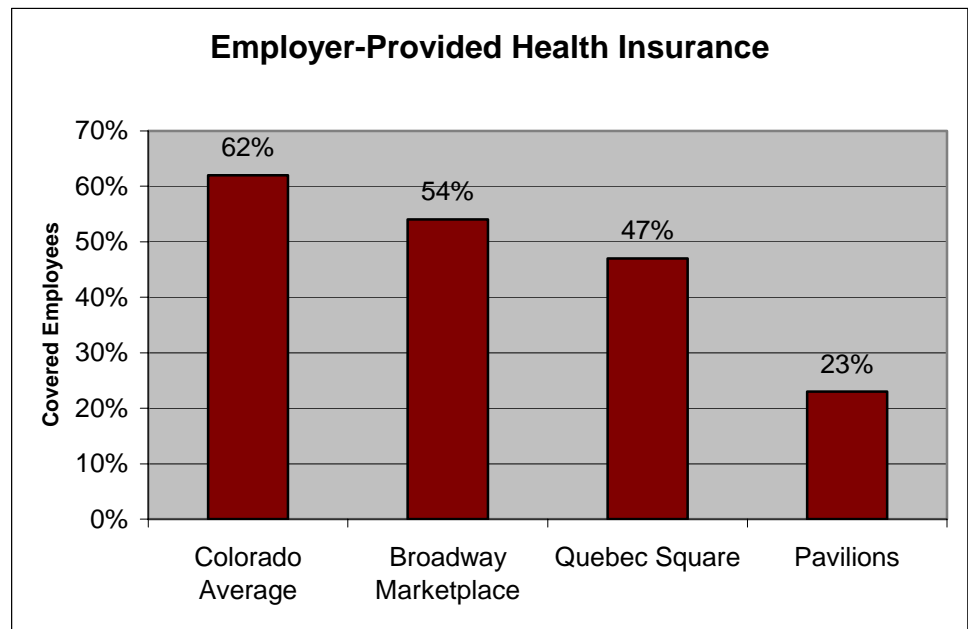
In Denver, TIF-subsidized projects are contributing to this dismal trend. The 2004 FRESW wage survey at Denver Pavilions, Broadway Marketplace, and Quebec Square also collected information on health insurance coverage. The results of this survey indicate that, as with wages, health care coverage at these

<sup>22</sup> Institute of Medicine of the National Academies, *Insuring America’s Health: Principles and Recommendations* (The National Academies Press: January 2004).

<sup>23</sup> John Holahan and Marie Wang, “Changes in Insurance Coverage During the Economic Downturn: 2000-2002,” *Health Affairs* (28: January 2004) downloaded from <http://content.healthaffairs.org/cgi/content/full/hlthaff.w4.31v1/DC1> on November 1, 2005.

<sup>24</sup> John Holahan and Marie Wang, “Changes in Insurance Coverage During the Economic Downturn: 2000-2002,” *Health Affairs* (28: January 2004) downloaded from <http://content.healthaffairs.org/cgi/content/full/hlthaff.w4.31v1/DC1> on November 1, 2005.

three projects is substantially sub-par. Only at Broadway Marketplace do even half of employees have employer-provided health care; at Denver Pavilions less than a quarter do – 39% fewer than the statewide average.



Source: Kaiser Family Foundation State Health Facts Online & FRESC Wage Survey

As with low wages, the costs of health uninsurance are borne both through suffering by the workers and their families themselves, and through the additional burden and costs placed on the publicly-funded health system.

### **The Personal Costs of Health Uninsurance**

According to a survey by the Kaiser Commission on Medicaid and the Uninsured, over one-third of uninsured people report skipping treatments or prescriptions because of cost, and nearly half report putting off seeking care in the first place – a rate of skimping on health care three times higher than those with insurance.<sup>25</sup>

Obviously, postponing or avoiding health care can have catastrophic effects on individual health. The percentage of uninsured people who report being hospitalized for “avoidable conditions” – health issues that could have been prevented by appropriate outpatient care – has risen from 5% in 1980 to 12% in 1998.<sup>26</sup> Compared to the insured, uninsured individuals are:

- much more likely to be diagnosed with late-stage cancer;
- more likely to die from cancer;
- more than twice as likely to die in the hospital;

<sup>25</sup> Kaiser Commission on Medicaid and the Uninsured, *Access to Care for the Uninsured: An Update* (The Kaiser Family Foundation: 2003).

<sup>26</sup> Kaiser Commission on Medicaid and the Uninsured, *Access to Care for the Uninsured: An Update* (The Kaiser Family Foundation: 2003).

- 60% more likely to have their babies die in the first month after birth;
- 20% to 50% more likely to die within the next five years.<sup>27</sup>

Perversely, of course, (and adding insult to injury – quite literally) the poorer health care received by the uninsured also ends up costing them more. Even skimping on care, out-of-pocket expenses are much higher for the uninsured, and the average uninsured person spends a much higher percentage of their income on health care than the average insured person.<sup>28</sup> The fact that low-wage jobs are also the most likely to lack health insurance only makes this problem worse. 36% of uninsured people report having problems paying medical bills (compared to 16% for the insured); 23% of the uninsured report having to change their lives significantly to pay medical bills (compared to 9% for the insured); 23% of the uninsured report being contacted by a collection agency about medical bills (compared to 8% for the insured).<sup>29</sup>

### **The Public Costs of Health Uninsurance**

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High levels of uninsurance also put stress on public health systems and state and local budgets.<sup>30</sup> The Colorado Coalition for the Medically Underserved estimates that in Colorado, the total annual state-funded health care spending for the uninsured is nearly \$294 million. Local spending for the uninsured is an additional \$93 million a year.<sup>31</sup> Medicaid costs are eating up an ever-larger share of the Colorado state budget. In the last ten years, state Medicaid costs have nearly doubled. As described in a Colorado Department of Health Fact Sheet: “The FY 2005-06 General Fund appropriation is nearly \$1.4 billion, or 22.2 percent of Colorado’s entire General Fund budget. One factor driving increased budgetary requirements of Medicaid premiums is the increase in the Medicaid caseload...The three most recent years of actual caseload data has shown average annualized growth of 10.9 percent.”<sup>32</sup>

Much of the increase in the public health care burden, and the escalating cost of sustaining that burden, can be directly attributed to cost-shifting from private employers to the general public.

In Denver, uncompensated care for uninsured patients has put tremendous stress on the public health system. The 2003 Annual Report of Denver Health notes that “Denver Health’s 2003 budget was being dramatically affected by the

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<sup>27</sup> Kaiser Commission on Medicaid and the Uninsured, *Access to Care for the Uninsured: An Update* (The Kaiser Family Foundation: 2003).

<sup>28</sup> Jack Hadley, *Hidden Costs, Value Lost: Uninsurance in America* (The National Academies Press: 2003).

<sup>29</sup> Kaiser Commission on Medicaid and the Uninsured, *Access to Care for the Uninsured: An Update* (The Kaiser Family Foundation: 2003).

<sup>30</sup> Institute of Medicine of the National Academies Committee on the Consequences of Uninsurance, *A Shared Destiny: Community Effects of Uninsurance* (The National Academies Press: 2003), p. 123.

<sup>31</sup> Barbara Yondorf, *Colorado Health Care Spending on the Uninsured Medically Indigent*, (Colorado Coalition for the Medically Underserved: 2003).

<sup>32</sup> Colorado Department of Health Care Policy and Financing, *Medicaid Budgetary Trends: A Fact Sheet* (Office of State Planning and Budgeting: July 2005).

influx of uninsured patients.”<sup>33</sup> The report documents that in 1991, Denver Health delivered \$100 million a year in uncompensated (uninsured) care, whereas in 2003, that number had risen to about \$225 million. Faced with a \$24 million deficit in 2003, mainly due to the rising cost of uncompensated care, Denver Health was forced to take several drastic measures: 62 layoffs, 15 day furloughs without pay for 1,300 employees, and the closure of school-based and community health clinics.<sup>34</sup> Denver Health, the last public safety net hospital for the uninsured in Denver, has even considered placing caps on the number of uninsured patients it serves.<sup>35</sup>

Large numbers of uninsured workers put the financial viability of the local public health care system at risk.<sup>36</sup> The community as a whole suffers from reduced access to care, people are turned away from emergency rooms, and there are reduced resources for public immunization and emergency preparedness programs. Serving the uninsured may even play a role in increasing health care costs for the insured: one estimate of hospital cost-shifting (shifting uninsured health care costs onto insured patients) in Colorado puts the total annual amount at over \$144 million.<sup>37</sup>

In Denver, our publicly subsidized development projects are exacerbating these troubling trends. When the substantial majority of TIF-created jobs lack health care, it means that Denver taxpayers are not only picking up the tab for TIF development subsidies, they are also paying the additional costs associated with the health care needs of employees at these projects – paying twice for the same economic development opportunity.

We have attempted to quantify these additional hidden public health care costs for the three TIF projects featured in this study, by relying on the Colorado Coalition for the Medically Underserved's (CCMU) 2003 report on Colorado spending on the uninsured. According to CCMU, direct public health care spending on the uninsured in Colorado who earn less than 250% of the FPL is \$464 million.<sup>38</sup> Dividing this total statewide cost by the estimated 420,383 Coloradoans who earn less than 250% of FPL and are without health insurance, gives us an estimate of \$1,104 annually in direct public health care spending per low-income individual.

Using the FRESC wage survey data and our calculations regarding the distribution of different family types in the workforce, we estimate that some 90% (2873 of 3180) of the employees at Denver Pavilions, Broadway Marketplace, and Quebec Square fall under the 250% of FPL threshold. The FRESC wage survey data also give us rates of uninsurance at the three projects of: 77% at

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<sup>33</sup> Denver Health, *Triumph Over Challenge: Denver Health 2003 Annual Report* (2003), p. 4.

<sup>34</sup> Denver Health, *Triumph Over Challenge: Denver Health 2003 Annual Report* (2003), pp. 4 and 33.

<sup>35</sup> Marsha Austin, “Denver Health May Cap Care for Uninsured,” *The Denver Post* (April 21, 2004).

<sup>36</sup> Institute of Medicine of the National Academies Committee on the Consequences of Uninsurance, *A Shared Destiny: Community Effects of Uninsurance* (The National Academies Press: 2003).

<sup>37</sup> Barbara Yondorf, *Colorado Health Care Spending on the Uninsured Medically Indigent*, (Colorado Coalition for the Medically Underserved: 2003).

<sup>38</sup> Barbara Yondorf, *Colorado Health Care Spending on the Uninsured Medically Indigent*, (Colorado Coalition for the Medically Underserved: 2003).

Denver Pavilions, 46% at Broadway Marketplace, and 53% at Quebec Square. The following table combines these data to give a rough estimate of the total health care costs imposed on the public by the low-wage / low-benefit employment pattern at these three TIF-subsidized projects.

**Estimated Annual Public Health Care Costs  
For Uninsured Employees At TIF Projects**

Family Type	Project	# of Workers Under 250% FPL	% Uninsured	Estimated # of Uninsured	Estimated Annual Public Health Care Cost Per Uninsured	Total Estimated Annual Public Health Care Costs
<b>Single No Dependents</b>	<i>Broadway Marketplace</i>	546	46%	251	\$1,104	\$277,104
	<i>Denver Pavilions</i>	328	77%	253		\$279,312
	<i>Quebec Square</i>	780	53%	413		\$455,952
<b>Single 2 Children</b>	<i>Broadway Marketplace</i>	95	46%	44		\$48,576
	<i>Denver Pavilions</i>	58	77%	45		\$49,680
	<i>Quebec Square</i>	135	53%	72		\$79,488
<b>Married Spouse Employed No children</b>	<i>Broadway Marketplace</i>	55	46%	25		\$27,600
	<i>Denver Pavilions</i>	32	77%	25		\$27,600
	<i>Quebec Square</i>	43	53%	23		\$25,392
<b>Married Spouse Not Employed No Children</b>	<i>Broadway Marketplace</i>	86	46%	40		\$44,160
	<i>Denver Pavilions</i>	51	77%	39		\$43,056
	<i>Quebec Square</i>	123	53%	65		\$71,760
<b>Married Spouse Employed 2 Children</b>	<i>Broadway Marketplace</i>	113	46%	52		\$57,408
	<i>Denver Pavilions</i>	67	77%	52		\$57,408
	<i>Quebec Square</i>	161	53%	85		\$93,890
<b>Married Spouse Not Employed 2 Children</b>	<i>Broadway Marketplace</i>	66	46%	30	\$33,120	
	<i>Denver Pavilions</i>	40	77%	31	\$34,224	
	<i>Quebec Square</i>	94	53%	50	\$55,200	

**TOTAL     \$1,760,880**

Source: FRESA Wage Survey & Colorado Coalition for the Medically Underserved, *Colorado Health Care Spending on the Uninsured Medically Indigent*

These figures are necessarily rough. On the one hand, they include only direct employees; they do not factor in the substantial additional health care costs of uncovered spouses and children. On the other hand, neither do they factor in health care coverage that uninsured employees may be receiving from spouses that do have employer-provided health care. However rough, \$1.7 million in additional annual health care spending is a very steep price for the public to pay for subsidizing low-wage / low-benefit employment at these three projects.

**RECOMMENDATION:**

**Make job creation part of the subsidy-approval process, and establish a system for tracking job creation and job quality performance.**

*The number and types of jobs created by TIF subsidies should be an explicit part of both the planning and approval process. Just as DURA predicts future project revenue, an employment projection, including wage and benefit predictions, would allow the City to estimate the true net economic impact of any development. The City should also establish a reporting system that allows for tracking the number, wages, and benefit structure of the jobs actually created.*

**RECOMMENDATION:**

**Establish minimum job quality standards for subsidy-created jobs.**

*Living wage and benefits standards (based on the self-sufficiency standard) should be established for jobs at TIF-subsidized projects. These minimum standards should include expectations that affordable health care be accessible for workers employed at these projects. Mechanisms to meet this health care goal include: recruiting tenants who already provide health care, establishing health insurance purchasing pools for employees of TIF-subsidized projects, or including these employees in the City of Denver health plan.*

*Establishing living wage and benefit standards would ensure that taxpayer-subsidized job creation is indeed a net economic benefit to the City, rather than a hidden increase in public service burdens. Using TIF tax subsidies to create jobs with health care, child care, and sufficiency wages would help move more Denver families out of poverty, and also ensure that our investment has maximal impact by creating more families with more money to inject into the local economy. Accountability rules could be established that reduced TIF outlays to developers in cases where agreed upon jobs standards were not met.*

**The Local Business Climate:  
Can Denver Afford to Encourage Better Wages and Benefits?**

It is an oft-repeated chestnut of economic development wisdom that expectations for higher wages drive businesses to more accommodating locales, leading to declining business investment, slower growth, and rising unemployment.<sup>39</sup> Neither the historical record, case studies, nor leading scholarly analysis support such claims.

<sup>39</sup>A few years ago, when citizen activists mobilized with demands for good wages and benefits at the new city-owned convention center hotel, some leaders leveled just this charge. "This is extortion," Mayor Webb claimed. "If they were really concerned with the conditions of working people, they wouldn't be trying to sink working people's jobs." John Rebchook, "New Push To Force Hotel Vote," *Rocky Mountain News* (May 15, 2003); Kristi Arellano, "Carpenters Contest Hotel: New Push For Referendum," *Denver Post* (May 15, 2003).

The following are some important points for Denver policy-makers to consider in the face of concerns that requiring self-sufficient wages at subsidized projects will create a negative business climate and harm local investment:

### Wage Gains Do Not Mean Rising Unemployment

We hear a good deal about the “iron law” of the market, which says that the market has set wages perfectly through its iron law of supply and demand, and any political effort to alter that logic will result in rising unemployment, lower benefits, and bankrupt businesses. Such free market arguments are of questionable relevance, however, when considering wages at publicly subsidized projects. These projects, after all, are already relying on public support to alter market dynamics in favor of developers. Furthermore, there is no consensus in the economics literature that moderate wage gains in a local economy will drive down business investment and there is little evidence that moderately raising wages results in rising unemployment.<sup>40</sup> In fact, American history includes eras wherein high corporate profits and productivity gains paralleled rising wages and a broadly *improving* quality of life (e.g., the 1950s-1960s), as well as eras wherein high corporate profits and productivity gains paralleled *deteriorating* wages and quality of life (e.g., the 1980s-present), revealing that political leadership and public choices about the kinds of businesses to subsidize have always shaped the way the “iron law” of markets operate.

It is revealing that the last decade has seen over 100 cities enact higher living wage laws. Many cities are beginning to encode “community benefits agreement” expectations into their city subsidized development projects, and the majority of academic case studies on these cities show that there has been no resulting rise in unemployment and no decline in capital investment as a result of these moderate improvements in worker lives.<sup>41</sup>

In some cases, high-road local employers have even *supported* rules requiring higher wages and benefits in their industry, since it ensures a more level playing field. In August of 2005, for example, the New York City Council voted 46-5 to require New York City’s grocery industry to make substantial employer contributions to employee health care plans. It is unlikely that this action will

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<sup>40</sup> For a landmark summary of much of the relevant economic literature, see David Card and Alan Krueger *Myth and Measurement: the New Economics Of the Minimum Wage* (Princeton University Press: 1995). The Economic Policy Institute maintains links to a number of living wage studies; see

[http://www.epi.org/content.cfm/issueguides\\_livingwage\\_livingwage](http://www.epi.org/content.cfm/issueguides_livingwage_livingwage). The Living Wage Resource Center provides summaries and links to a wide variety of scholarly studies of living wage impacts, many of which detect no negative employment effects. See <http://www.livingwagecampaign.org/index.php?id=1953>.

<sup>41</sup> For a sampling of these studies, see: David Card and Alan Krueger, *Myth and Measurement: the New Economics Of the Minimum Wage* (Princeton University Press: 1995); Robert Pollin and Stephanie Luce, *The Living Wage: Building a Fair Economy* (The New Press: 1998); Robin Hahnel, *The ABC’s of Political Economy* (Pluto Press: 2002); Thomas Carter, “Are Wages Too Low? Empirical Implications of Efficiency Wage Models,” *Southern Economic Journal*, (Vol. 65, No. 3: 1999), pp. 594-602; Paul Sonn, *Citywide Minimum Wage Laws: A New Policy tool for Local Governments* (The Brennan Center, Economic Policy Brief No 1: 2005); M. Altman, “A High-Wage Path To Economic Growth And Development,” *Challenge* (41 (1): 1998), pp. 91-99; K. Kraut, S. Klinger, and Collins, *Choosing The High Road: Businesses That Pay A Living Wage And Prosper* (United for a Fair Economy: 2002); R. Pollin and S. Luce, *The Living Wage: Building A Fair Economy* (New Press: 1998); and R. Pollin, *Economic Analysis of Santa Monica Living Wage Proposal* (Political Economy Research Institute: 2001).

result in an investment strike by local grocers, considering the fact that many local grocery chains *supported* this measure. These supportive local grocers were already providing health care coverage to their workers, and this measure leveled the playing field by eliminating competition from no-benefit grocers. Even the New York Chamber of Commerce supported the measure. "At the end of the day, you should be getting health insurance and it will drive down cost for all others," said Mark S. Jaffe, president of the Greater New York Chamber of Commerce. "We would advocate to [employers] they need to do this. I think our members are smart enough to realize this is good for business."<sup>42</sup>

In Colorado, we have additional evidence that expecting decent wages with benefits does not create a hostile business climate. In their review of several studies on the factors that influence business location choices, Colorado's Legislative Research Council concluded that tax burdens and wage structures were NOT vital influences on business location.

*The most important factor in a company's location decision is the availability and skill of the labor force. Other important factors include the cost and availability of land, the local infrastructure, the proximity to natural resources, the quality of life, and the proximity to universities or research institutions. Most studies found that, when deciding where to do business, businesses considered ease of incorporation, regulatory burdens, and tax burdens less important than those factors listed above.*<sup>43</sup>

A recent study by the Corporation for Enterprise Development (CED) shows that Colorado faces challenges in maintaining a good business climate, but overly generous wages and benefits are not one of them. In fact, Colorado's challenges are directly related to *inadequate* wage growth. Of the state's top nine economic weaknesses identified in the CED study, three of them are related to poor wages and low benefits: a polarizing distribution of wealth, slow average wage growth, and the growth of uninsured children.<sup>44</sup> Tom Clark, Executive Vice-President of the Metro Denver Economic Development Corporation, in examining the factors influencing business location decisions, has similarly concluded that a highly-skilled, well-educated workforce positively influences business choices and outweighs business concerns over local taxes and "high" wage structures.<sup>45</sup>

### **High Wages Can Be a Local Growth Strategy**

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One way to facilitate high business profit margins is through the "low-road" strategy of low wages and benefits. Substantial economic evidence, however,

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<sup>42</sup> Amy Joyce, "New York Council Backs Benefits Bill," *Washington Post* (August 18, 2005).

<sup>43</sup> Colorado Legislative Council Staff, "Factors Effecting Location Decisions; Business Climates; and State and Local Tax Treatments," Memo to Members of Interim Committee on Economic Development, Colorado State Legislature, (July 20, 2005), p. 1.

<sup>44</sup> Colorado Legislative Council Staff, "Factors Effecting Location Decisions; Business Climates; and State and Local Tax Treatments," Memo to Members of Interim Committee on Economic Development, Colorado State Legislature, (July 20, 2005), attachment D.

<sup>45</sup> Tom Clark, "Factors Effecting Local Business Climate," Presentation to Members of Interim Committee on Economic Development, Colorado State Legislature, July 26, 2005.



shows that a “high road” strategy of high wages and benefits may even better promote a flourishing local economy and still provide healthy profit margins for businesses. Colorado’s Legislative Research Council summarizes studies that show that a quality labor force “is the most important factor of production for most firms. Higher quality labor can increase productivity and lower a firm’s operating costs significantly.”<sup>46</sup> Denver can build this kind of highly motivated, well-educated workforce by showing leadership in setting jobs standards for publicly subsidized projects, improving the local wage climate, and providing a broad mix of housing options to workers.

Furthermore, studies have shown that high wages catalyze productivity innovations and encourage employees to remain loyal and work harder, even as they are healthier and miss less work, saving their employers money. Wage increases often result in greater worker satisfaction in their personal and professional lives.<sup>47</sup> These benefits spill over into communities at large; as the quality of life for workers’ families increases, improvements in education, crime, and the general atmosphere in their communities are likely to appear. In this way, encouraging employers to pay better wages provides macroeconomic benefits without penalizing productive businesses. Many corporations throughout history, such as Ford and Goodyear, have built their fortunes on a high-wage strategy that fostered productive workers with a higher capacity to consume. Today, we also have models of these kinds of companies that are committed to high-road growth strategies, such as Costco, Harley Davidson, and Ben Cohen’s “sweat-free” garment company.<sup>48</sup>

Another benefit from higher wages is the boost in local consumer spending that results from a wage increase. Robin Hahnel’s *The ABC’s of Political Economy* offers a sophisticated mathematical model analyzing “wage-led” growth strategies. He finds that higher consumer spending and associated local multipliers can lead to healthy economic growth, and compares favorably to a growth strategy focused on capital accumulation by business owners, especially if those business owners are headquartered elsewhere and channel their profits out of the community.<sup>49</sup>

An additional benefit of boosting wages and consumer spending through targeted TIF-subsidies is that this strategy would actually increase tax revenues for local government, as opposed to reducing tax revenues by supporting low-wage jobs and high-profit margins for out-of-state companies. Most wages, especially wages of moderate income workers, are spent locally and become subject to

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<sup>46</sup> Colorado Legislative Council Staff, “Factors Effecting Location Decisions; Business Climates; and State and Local Tax Treatments,” Memo to Members of Interim Committee on Economic Development, Colorado State Legislature, (July 20, 2005), p. 2.

<sup>47</sup> Robin Hahnel, *The ABC’s of Political Economy* (Pluto Press: 2002). For a review of some of these studies, see Tony Robinson, “Hunger Discipline and Social Parasites: The Political Economy of the Living Wage,” *Urban Affairs Review* (Vol. 38, No. X, : 2004), pp. 1-23.

<sup>48</sup> For profiles of such companies, see: Steven Greenhouse, “How Costco Became the Anti-Wal-Mart,” *New York Times* (July 17, 2005); American Rights at Work, *A Profile of ‘High Road’ Companies* (May 23, 2004) downloaded from [www.americanrightsatwork.org/resources/facts/highroad.cfm](http://www.americanrightsatwork.org/resources/facts/highroad.cfm) on August 19, 2005 and Social Funds.com, *Ben & Jerry’s Co-founder Invests in “Sweat-free” Garments* (September 10, 2001) downloaded from <http://www.socialfunds.com/news/article.cgi/article664.html> on August 19, 2005.

<sup>49</sup> Robin Hahnel, *The ABC’s of Political Economy* (Pluto Press: 2002).

sales tax, returning revenue to the government. If, as most evidence indicates, subsidized companies are able to absorb the increased cost, then increasing wages is an innovative strategy with several positive results: government experiences greater tax revenues, consumers have more purchasing power, and the local demand for the goods and services multiplies and leads to a better business climate.

Denver taxpayers can build a flourishing local economy by supporting high-wage employers with tax incentives and other subsidy programs. A good example of this kind of leadership was shown recently, when the Hickenlooper administration decided to award a "tax incentive package" to a local company, encouraging the business to remain in Denver. The city agreed to award the company \$450,000 in tax rebates over the next five years in exchange for an agreement to create 385 new jobs, in addition to the current 265 the company provides. The average salary per job is expected to be \$85,000. Last year, Denver awarded the ProLogis company \$425,000 in tax incentives in exchange for 300 new jobs, with salaries averaging \$60,000.<sup>50</sup> It is these kind of high-wage, good-benefit jobs that should be more carefully targeted with all future tax expenditures, including TIF.

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<sup>50</sup> Karen Crummy "Denver, Energy Firm Strike a Deal," *The Denver Post* (August 17, 2005).

## Housing: Do TIF-Subsidized Projects Make Denver a Better Place to Live?

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Besides creating new jobs, TIF-subsidized projects have created substantial levels of new housing in Denver. In evaluating the impact of TIF-subsidized projects on Denver's housing market, and on the associated quality of life of average Denver residents, it is important to examine both the kind of housing that can be afforded by employees of TIF-subsidized projects and the kinds of housing that Denver stimulates with its TIF subsidies. In short, this section seeks to answer two questions:

- 1) Do the workers at TIF-subsidized projects earn high enough wages to afford typical housing opportunities in Denver?
- 2) Is the housing created at TIF-subsidized projects ameliorating or exacerbating Denver's housing affordability crisis?

Unfortunately, the evidence presented below indicates that 1) the low-wage employees at the TIF-subsidized projects examined in this study (Denver Pavilions, Broadway Marketplace, and Quebec Square) are not earning enough to afford decent housing in Denver; and 2) that TIF itself is catalyzing housing construction that is exacerbating the housing crisis for moderate and low-income Denver residents.<sup>51</sup>

### Employees at TIF-Subsidized Projects Do Not Earn a Housing Wage

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According to broadly accepted HUD standards, families should spend no more than 30% of their income on housing. When lower-income families are forced to spend more than 30% of their income on housing, other needs go unmet: meals are skipped, utility bills go unpaid, health care is foregone, etc.

Consistent with these values, it is reasonable to expect that jobs at publicly-subsidized projects should pay enough for workers to afford adequate housing at no more than 30% of their income. This hypothetical earnings level is called the "Housing Wage" – the amount a full-time worker must earn to afford average housing prices for a two-bedroom home or apartment.

In Denver, the 2004 "housing wage" was \$16.64.<sup>52</sup> According to the 2004 FRESC wage survey, however, jobs at TIF-subsidized sites pay an average of \$9.25 – just 56% of the wages needed to afford average rents in Denver.

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<sup>51</sup> It should be noted that DURA has an affordable housing program that is separate from TIF activities and consists of low-interest home improvement loans to low-income homeowners. This program is mainly funded through federal CDBG dollars, which are designated for such low-income programs. This housing program is not catalyzed by TIF-stimulated urban renewal activities, and is not funded by TIF revenues, but rather is administered by DURA once the funds are passed through the City of Denver. This report does not evaluate these housing programs as part of DURA's efforts to create a better Denver through TIF-subsidized redevelopments

<sup>52</sup> "Housing Wage" information available at the National Low Income Housing Coalition website: <http://www.nlihc.org/oor2004/> .

The following table estimates the housing wage status of employees at Quebec Square. Given the similar wage structure at the other two TIF projects examined in this study, Denver Pavilions and Broadway Marketplace, these results can serve as a fair proxy for all three.

**Estimated Rental Challenges Faced by Employees at Quebec Square**

	<b>Monthly Income</b>	<b>Affordable Rent at 30% Rent Burden</b>	<b>Denver Average Rent</b>	<b>% of Denver Average Rent Employee can Afford</b>
Single No Dependents	\$1,595	\$479	\$695 (1 bedroom)	70%
Single 2 Children	\$1,595	\$479	\$787 (2 bedroom)	60%
Married Spouse Employed No Children	\$3,761	\$1,128	\$695	100%
Married Spouse Not Employed No Children	\$1,595	\$479	\$695	70%
Married Spouse Employed 2 Children	\$3,761	\$1,128	\$787	100%
Married Spouse Not Employed 2 Children	\$1,387	\$479	\$787	60%

Source: Monthly income calculated from FRESC Wage Survey; Average Denver rents are for first quarter of 2005, as reported in Denver Metro Apartment Association Vacancy and Rent Survey

The pattern here is clear: no single-breadwinner family earning the average wages paid at these TIF-subsidized projects can afford Denver's average rent.

Yet, many other Denver working families also cannot afford Denver's average rents. How do they manage? One course of action is finding cheaper housing – some families manage to find housing at substantially below average market rents. While such housing may be sub-standard or undesirable, at least these families can make ends meet. The other course of action is less benign and, unfortunately, in the face of Denver's escalating housing costs, more common. Families take on an undue rent burden – paying more than 30% of their income in rent – and endure the consequent hardship and want elsewhere in their lives to pay for it.

We attempt to quantify the prevalence of undue rent burdens among the TIF-project employees at the three projects featured in this study by employing data from the Colorado Division of Housing (CDH). According to the CDH, 80% of all Denver families earning less than \$20,000 per year are experiencing unaffordable rent burdens.<sup>53</sup> According to the FRESC wage data, some 1687 of the 2236 families of full-time employees at the Denver Pavilions, Broadway Marketplace, and Quebec Square earn less than \$20,000 per year. Using the CDH factor of 80%, this means that well over a thousand workers at these

<sup>53</sup> Colorado Division of Housing, 2004 summary of Denver cost-burdened renter households.

projects alone – well over half of the entire full-time work force – is suffering undue rent burdens. And this calculation does not include likely undue rent burdens faced by part-time employees.

### TIF Project Employees Bearing Undue Rent Burdens

Pavilions, Broadway Marketplace, Quebec Square	Number	%
Total Full-Time Employees	2236	100%
Full-Time Employee Households Earning Less than \$20,000 per year <sup>54</sup>	1687	75%
Full-Time Employee Households Bearing Undue Rent Burden (80% of all households earning under \$20,000 a year)	1350	60%

#### RECOMMENDATION:

**Establish minimum job quality standards for subsidy-created jobs.**

*This recommendation bears repeating from the previous section. A “baseline” of minimal wage and benefits standards for employment created through TIF subsidies should be established, such that workers at TIF-subsidized projects are able to afford adequate housing without sacrificing other basic family needs.*

### Unaffordable Housing at TIF-Subsidized Projects

Another way to investigate the impact of TIF-subsidized projects on housing affordability in Denver is to compare the price of housing constructed with TIF subsidies to the documented housing needs of Denver residents.

In 2000, the Denver City Council commissioned the Center for Affordable Housing and Educational Quality to prepare a study of housing needs in Denver. The study’s purpose was to provide the hard data that would guide future Council action on housing issues. The study was clear in its findings: a great many Denver residents are facing a tighter housing pinch, but the crisis is most severe for low-income renters. For the most part, income gains for Denver’s middle and upper-income residents kept pace with housing price increases throughout the 1990’s. Middle and upper income households tended to keep pace because many homeowners benefited from rising property values, and the homeownership rate rose substantially. “The percentage of households owning their own homes has risen much more rapidly in the Denver metropolitan area than in the United States as a whole. In the last quarter of 1998, the homeownership rate reached an all-time high of over 66%.”<sup>55</sup>

<sup>54</sup> In our calculations, we included the Broadway Marketplace households earning \$20,696 a year in the category of “under \$20,000 a year.” The alternative was to place them in the Colorado Division of Housing category ranging from \$20,000-\$34,999.

<sup>55</sup> Center for Affordable Housing and Educational Quality, *Housing Conditions and Needs in the City of Denver* (University of Colorado: 2000), p. 6.

Are We Getting Our Money's Worth ?

But while middle- and upper-income residents kept pace with spiraling housing costs, low-income renters fell behind rapidly, experiencing the worst housing crisis in the city: “housing affordability problems were much more common among the city’s renters.”<sup>56</sup> These problems are especially pronounced for Denver’s lowest-income renters, whose affordability crisis has only grown since mid-decade. Fully 89% of all renters earning less than Area Median Income (AMI) pay more than 30% of their income for rent, with 57% paying more than 50% of their income for rent.<sup>57</sup> Furthermore, the report found dramatic evidence of low-income-displacing gentrification sweeping over Denver’s lower-income communities (Highland, Curtis Park, La Alma/Lincoln Park, etc.).<sup>58</sup>

It is in this context – an escalating crisis of housing affordability, particularly for low-income renters – that we examine Denver’s pattern and policy of housing creation through TIF subsidies. Housing is a component of a number of TIF projects, but in most, that new housing is priced at the higher end of the market, far above what is affordable to Denver’s moderate income households.

**Core-City TIF-Subsidized Housing Units  
By Project and By Income-Restriction Level**

Project	30% AMI	40% AMI	50% AMI	60% AMI	80% AMI	Market Rate	Total Units
Bank Lofts				50		67	117
Boston Lofts			33			125	158
Clyburne Village		8	41			1	50
Denver Dry				38		79	117
Mercantile Square			45	30		19	94
The Point		12	6	3		14	35
Post Uptown Square						696	696
Rio Grande				54		66	120
<b>Total Units Per Income Level</b>	<b>0</b>	<b>20</b>	<b>125</b>	<b>175</b>	<b>0</b>	<b>1067</b>	<b>1387</b>
<b>% Total Units Per Income Level</b>	<b>0%</b>	<b>1%</b>	<b>9%</b>	<b>13%</b>	<b>0%</b>	<b>77%</b>	<b>100%</b>

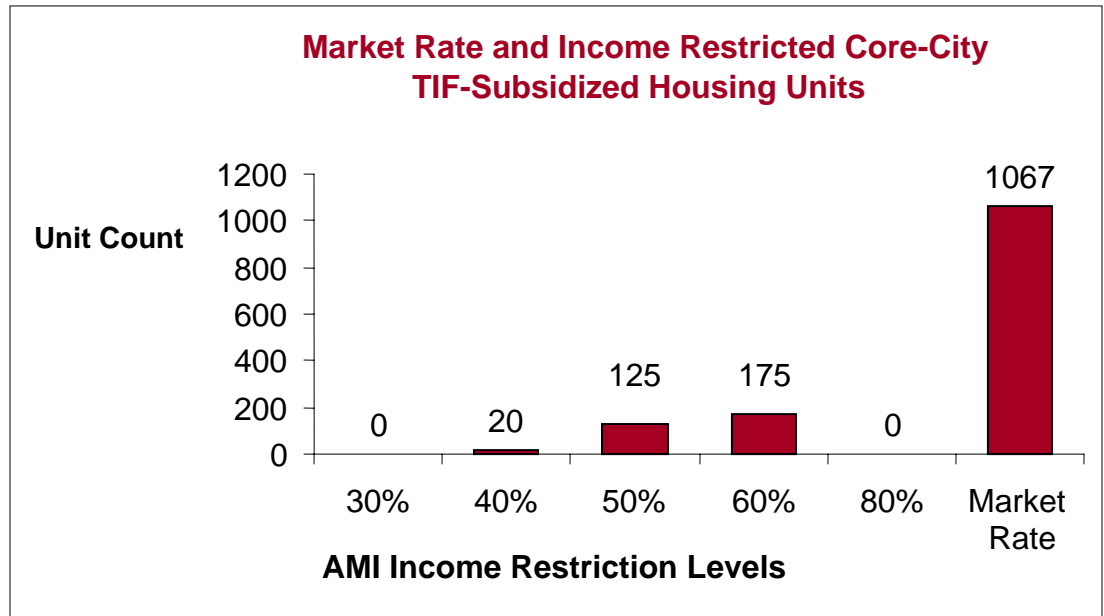
Source: James Coil Research and Consulting LLC, “An Analysis of the Downtown Denver, Colorado Rental Housing Market,” Prepared for Colorado Housing and Finance Authority, January 7, 2005.

<sup>56</sup> Center for Affordable Housing and Educational Quality, *Housing Conditions and Needs in the City of Denver* (University of Colorado: 2000), p. 12.

<sup>57</sup> Center for Affordable Housing and Educational Quality, *Housing Conditions and Needs in the City of Denver* (University of Colorado: 2000). The rent-burden estimates in this study were derived through a different methodology than that used in the aforementioned study by the Colorado Division of Housing. Whereas the Colorado Division of Housing estimates that 80% of the lowest-income families pay more than 30% of their income for rent, this study pegs the number at 89%. Either figure is sobering.

<sup>58</sup> Many other studies replicate the finding that Denver’s housing crisis is most severe for its lowest-income residents, and that households below 50% of AMI are the most in-crisis element of the Denver workforce. For a compilation of these reports, ranging from Denver’s Commission to End Homelessness, to the Department of Housing and Urban Development, to the National Low Income Housing Coalition, and the Colorado Housing & Finance Authority, see Tony Robinson, *Denver’s Low Income Housing Crisis: Who It Impacts and What Can be Done* (Front Range Economic Strategy Center: 2005).

While many of the downtown residential projects subsidized with TIF have incorporated a significant affordable housing component, these affordable units have generally been marketed to households earning around \$40,000 a year (50-60% of AMI). TIF subsidized units have *not* been targeted to Denver’s low or even moderate-income workforce below this level. The table above shows eight core-city TIF projects. Of the 1387 units created at these projects, 320 (23%) are affordable to households below 60% of AMI, but less than half of those – only 10% of the total – are affordable to households below 50% of AMI, and none are affordable to households under 30% of AMI. Developers of these projects received over \$25 million in TIF subsidies.



Source: James Coil Research and Consulting LLC, “An Analysis of the Downtown Denver, Colorado Rental Housing Market,” Prepared for Colorado Housing and Finance Authority, January 7, 2005.

In fairness to the record of downtown TIF-subsidized affordable housing, the imbalanced housing mix shown here is skewed by the massive Post Uptown Square project. That project, however, only illustrates Denver’s shortcoming in leveraging a growing commitment to development subsidies in the interests of affordable housing.

Post Uptown Square was a major missed opportunity: 696 new tax-subsidized housing units subsidized with tax dollars – half the downtown total – and not a single one affordable to moderate income households. Unfortunately, Denver’s missed opportunities have become only larger and more prominent.

### **A Missed Opportunity: Affordable Housing at Stapleton**

The redevelopment of Denver’s old Stapleton airport by Forest City Enterprises is the largest urban infill project in the nation, with 12,000 new housing units planned for the complete build-out. It is also the recipient of over \$300 million in TIF – the largest tax-funded redevelopment subsidy in Denver’s history.

Denver officials have celebrated Stapleton's affordable housing plan as providing the right mix of affordable and workforce housing to achieve income diversity at the project.<sup>59</sup> Is Stapleton an ideal model for TIF-subsidized housing creation?

### The Stapleton Affordable Housing Plan<sup>60</sup>

- Stapleton's 12,000 new housing units will include 8,000 for-sale units and 4,000 units of rental housing.
- 800 units (10%) of the for-sale housing will be affordable to households with incomes at 80% or below of the Family Area Median Income (AMI). In 2004, family AMI for the Denver region was \$69,500 (a figure derived by including the income levels of affluent suburbanites as well as low-income Denver residents). In 2004, 80% of AMI was about \$55,000. Nearly 70% of Denver's households earn less than \$55,000. In other words, **70% of Denver's residents will only be able to afford the bottom 10% of the Stapleton's housing units.** Only a tiny fraction of Denver's residents will be able to afford the many housing units priced to sell at up to \$900,000.
- 800 units (20%) of the rental housing will be affordable to households earning 60% or below of AMI (\$42,000). About 60% of Denver's households earn less than \$40,000. In other words, **60% of Denver's households will be able to afford only the bottom 20% of Stapleton's rental units.** Furthermore, this income range is actually near the top of Denver's rental market, which should hardly count as providing "affordable" housing that responds to documented housing needs. In fact, recent studies show that the 60% of AMI rental market is actually overbuilt, and that the real need exists below 50% of AMI.<sup>61</sup>
- Forest City, the Stapleton developer, will donate land to affordable housing providers to ensure that one-quarter (200 units) of the designated affordable rental housing will be affordable to households earning 50% AMI or below (about \$35,000 a year). These 200 units, reserved for the 35% of Denver households earning under \$35,000 a year, add up to only 1.6% of all Stapleton housing units.

On the one hand, Stapleton's housing plan does represent an improvement over the Post Uptown Square project. Rather than no affordable housing at all, the Stapleton plan at least requires the developer to produce some affordable units and establishes the principle that large, publicly subsidized projects should include a mix of housing at all income levels. This "New Urbanism" housing model addresses important human needs, while also promoting diversity and

<sup>59</sup> See for example, the official press release by Forest City Stapleton, Inc., *Stapleton Breaks Ground For Workforce Housing* (February 13, 2003) downloaded from [http://www.stapletondenver.com/news/press\\_detail.asp?pressReleaseID=49](http://www.stapletondenver.com/news/press_detail.asp?pressReleaseID=49) on March 15, 2005.

<sup>60</sup> All income data taken from 2000 Census data, or from 1999 income data found in Center for Affordable Housing and Educational Quality, *Housing in Denver: Problems, Needs, and Opportunities* (2000).

<sup>61</sup> Tony Robinson, *Denver's Low Income Housing Crisis: Who It Impacts and What Can be Done* (Front Range Economic Strategy Center: 2005). See also, James Coil Research and Consulting LLC, *An Analysis of the Downtown Denver Colorado Rental Housing Market*, Prepared for Colorado Housing and Finance Authority (January 7, 2005).

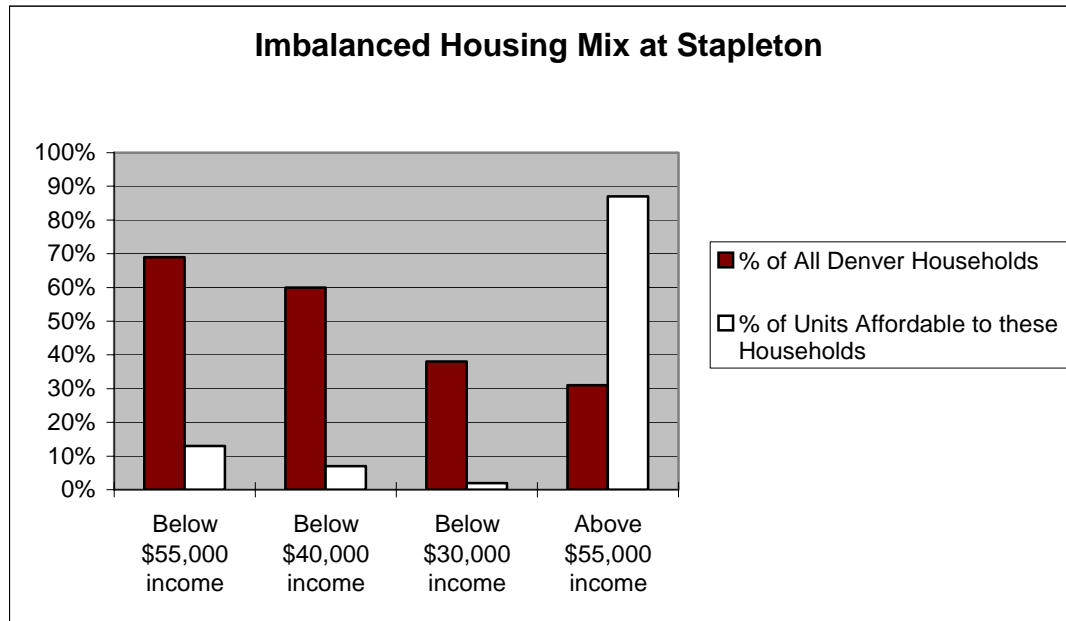


reducing the kind of urban sprawl that results when moderate income workers cannot live near the places they work.

On the other hand, a close look at Stapleton’s affordable housing plan reveals that Stapleton’s publicly subsidized housing units will be a very small percentage of total units, and will be affordable to only a small minority of Denver’s residents.

Part of Stapleton’s original promise as an innovative “new urbanist” development was that families that work at Stapleton would be able to live at Stapleton, thus avoiding urban sprawl and an income-segregated city. The wage-structure charts presented earlier in this report reveal that approximately 1185 full-time workers are currently involved in retail work at Stapleton’s Quebec square – just one of several retail centers planned for Stapleton.

As shown by the FRESC wage survey, these families generally earn between \$18,000 and \$40,000 a year – the exact income level targeted by Stapleton’s “affordable” rental units. But the Stapleton plan dedicates only 800 of the project’s 4,000 rental units to this income level. This means that the working families of Quebec Square alone would more than fill the entire affordable rental housing stock at Stapleton. None of these families could afford the typical “affordable” for-sale housing unit at Stapleton. In fact, most of these workers actually earn far below \$40,000 year, below 50% AMI, a household income category for which the Stapleton plan dedicates only 200 units out of 12,000.



Source: Erin Johansen (2001) “Housing at Stapleton Out of Reach for Many,” Denver Business Journal, Feb. 2

The Stapleton affordable housing mix becomes even more disappointing when considering that Stapleton as a whole is expected to generate 35,000 new jobs, more than half of which will be in retail and service sectors – jobs paying \$15,000

to \$31,000 year (generally under 50% of AMI). In the face of this scale of low-wage job creation, 200 affordable rental units seems paltry indeed.<sup>62</sup>

**RECOMMENDATION:**

**Establish affordable housing requirements for all TIF-subsidized developments.**

*DURA, working with the City and community stakeholders, should draft an affordable housing policy for all TIF subsidized developments. This policy should be designed to match the goals of Denver's official housing plans. The 1999 Denver Housing Plan noted that Stapleton was the city's best chance to expand low-income housing, but the Stapleton development plan did not adequately address that goal. The 2005 Report of the Commission on Homeless advocates for low-income housing along transit lines, but its unclear how that goal will be incorporated at sites like the Gates redevelopment at I-25 and Broadway. City officials should be serious in meeting these goals through better affordable housing expectations on TIF projects.*

*Strategies to achieve a better affordable housing mix at TIF-subsidized sites could include: development impact fees channeled into a housing trust fund, revolving funds to improve housing affordability (e.g., a down-payment fund for for-sale housing and a deposit fund for rental housing), and a commitment that projects subsidized with public funds deliver affordable housing to lower income levels and at higher unit counts than what is currently required of non-subsidized private developers under Denver's Inclusionary Housing Ordinance.<sup>63</sup>*

**Gentrification and Displacement:  
TIF's Effect on Surrounding Neighborhoods**

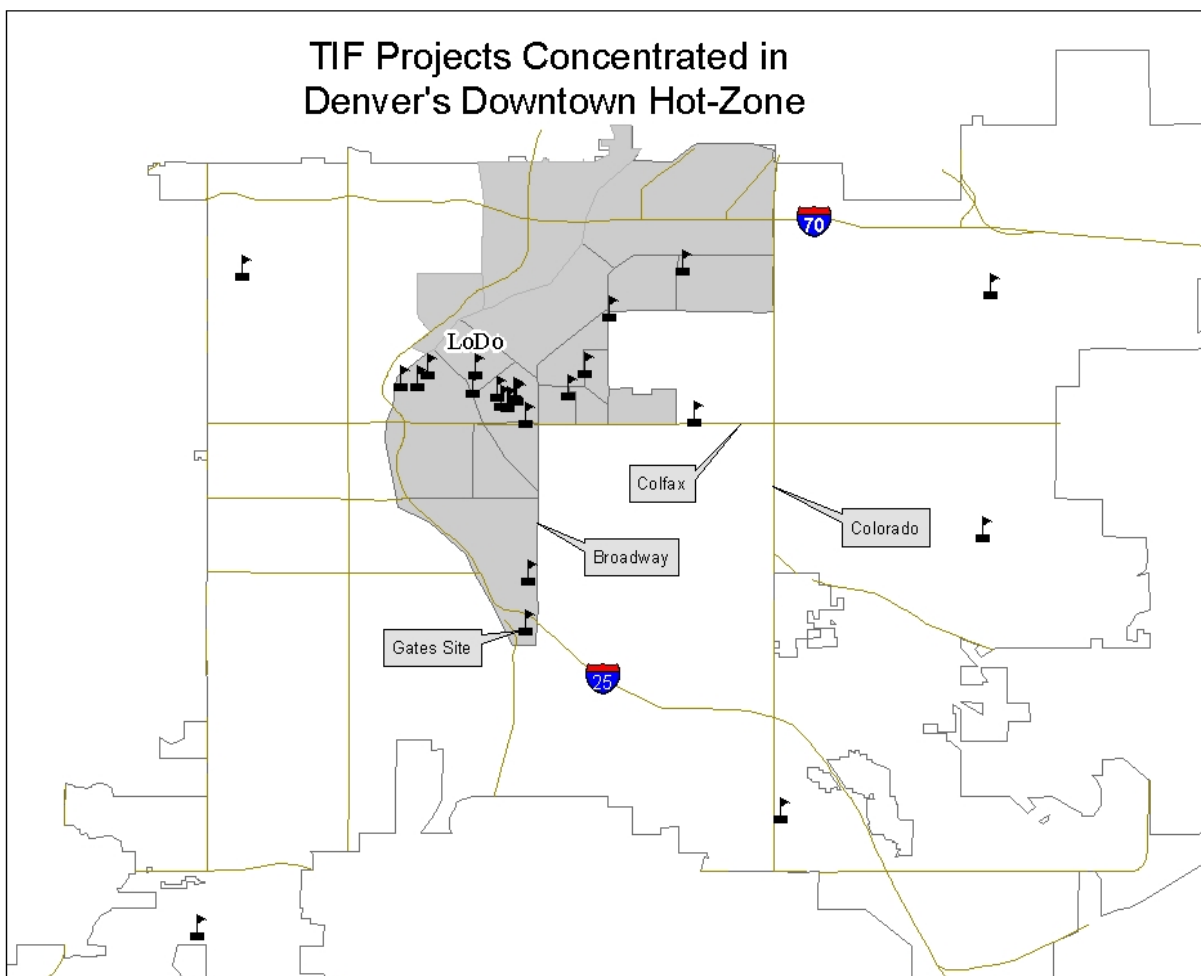
For the last decade, Denver's TIF dollars have been largely dedicated to efforts to transform core-city neighborhoods, such as Five Points, La Alma/Lincoln Park, and Curtis Park, traditionally home to lower-income communities and residents of color. Because these areas suffered from capital disinvestment, high crime rates, and sinking property values in the 1970s and 1980s, they were seen as a drain on Denver's economy and became the focus of Denver's "Downtown Agenda" in the mid-1990s. That agenda has had great success in attracting new investment in Denver's downtown hot-zone, partly due to the use of TIF subsidies for projects such as Larimer Square, Denver Pavilions, and Mercantile Square. An unfortunate collateral consequence, however, has been to eliminate low-income housing units, gentrify traditional communities, and intensify Denver's workforce housing crisis.

<sup>62</sup> Erin Johansen, "Housing at Stapleton Out of Reach for Many," *Denver Business Journal* (Feb. 23, 2001).

<sup>63</sup>In general, this ordinance requires at least 10% of the for-sale units in large housing developments to be affordable to those between 60% and 95% of Area Median Income. For a detailed look at the weaknesses of Denver's Inclusionary Housing Ordinance and how its income targets can be improved, see Tony Robinson, *Denver's Low Income Housing Crisis: Who It Impacts and What Can be Done* (Front Range Economic Strategy Center: 2005).

## Denver's Downtown Agenda

In many ways, Denver has become Federico Pena's imagined "great city" from its years of explosive growth. But at the same time, rental rates and housing prices are rising so quickly that Denver has become one of America's least affordable cities, especially for average workers. This low-income housing crunch is partly the consequence of Denver's official "Downtown Agenda" development strategy, as described by one of its former architects, Denver Planning Director, Jennifer Moulton.<sup>64</sup> This strategy has sought to make Denver an "efficient economic machine," to transform lower-income areas into "investor quality downtown residential neighborhoods," and to attract "people with money to spend on housing."<sup>65</sup> The strategy was designed to address problems of the 1970s and 1980s, when upper classes fled Denver, and "just about the only downtown residents left were those who were unwanted as neighbors anywhere else."<sup>66</sup>



<sup>64</sup>Jennifer Moulton, *Ten Steps to a Living Downtown* (Brookings Institute: 1999) downloaded from <http://www.brookings.edu/metro/moultonexsum.htm> on July 27, 2005.

<sup>65</sup> *Ibid.*, p. 11-12, 14.

These “unwanted” downtown residents became concentrated in a ring of low-income downtown neighborhoods that the former Planning director calls “an intimidating moat that makes getting to downtown an unappealing trip.” Moulton urges public policy to make these areas more “attractive to private sector investment in market housing,” by marketing them as redevelopment centers, full of “raw ground” ripe for upward development.<sup>67</sup>

To overcome the “intimidating moat,” Denver planners have sought over the last decade to create an inner-city environment where investors and homebuyers could have confidence that property values would rise. Signs of this redevelopment planning include roughly a billion dollars of public subsidies and direct public expenditures for downtown projects: the Central Platte Valley residential projects, two sports stadiums, loft projects in LoDo, the Denver Pavilions, the Adams’ Mark renovation and expansion, and the new Convention Center and Convention Center Hotel. This upscale renewal strategy has been called the “Downtown Agenda,” and Moulton is clear that, in the last decade, this agenda drove Denver’s planning efforts: “there was no diversion of resources, no second thinking of priorities,” she says.<sup>68</sup>

### **Subsidizing the Downtown Agenda, Transforming Inner-City Denver**

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The trick for catalyzing upscale renewal in low-income core-city areas is always the “first-mover” problem: few affluent property owners, much less investors, want to be the first to move to a low-income community and risk their capital against declining property values, crime, de-population, poor commercial traffic, and the other ills of a downtown in decline.

As a key tool in the city’s urban renewal efforts, TIF subsidies are able to address the “first mover” problem by helping finance upscale new developments in targeted “blighted” areas, thereby reducing the developer’s risk – and potential new resident’s qualms – with a substantial public investment.<sup>69</sup> These new developments are meant to raise property values and introduce a new “creative class” demographic into the previously low-income area, and thereby spur further private investment and property-seeking new residents. Indeed, the guru of the “creative cities” movement (Richard Florida), describes how newly arriving

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<sup>66</sup> Ibid., p. 7.

<sup>67</sup> Ibid., p. 19.

<sup>68</sup> Ibid., p. 12.

<sup>69</sup> Stephen Weiler, “Pioneers and Settlers in LoDo Denver: Private Risk and Public Benefits in Urban Redevelopment,” *Urban Studies* (37:1: 2001), pp. 167-179. See also, Development Research Partners, *Economic Benefits from Community Redevelopment Activity in Colorado* (February 2004) downloaded from [www.cml.org/pdf\\_files/EconomicBenefits.pdf](http://www.cml.org/pdf_files/EconomicBenefits.pdf) on July 14, 2005. For a discussion of how DURA development subsidies work and their pervasiveness in Denver, see Tony Robinson and Chris Nevitt, with Nate Stone, *Are We Getting Our Money's Worth? Tax Increment Financing and Urban Redevelopment in Denver, Part I* (Front Range Economic Strategy Center 2005).

creative class residents are often “harbingers of redevelopment and gentrification in distressed urban neighborhoods”<sup>70</sup>

Concentrating immense public redevelopment resources into a defined area and focusing these on mostly high-end housing, upscale hotels, and entertainment venues has a measurable impact on core-city communities that have traditionally housed lower-income Denver households. The predictable result of the success of these redevelopment projects has been to catalyze the gentrification of surrounding communities, with lower-income uses and residents displaced in favor of the high end and the more affluent.<sup>71</sup> Though Denver’s former Planning Director calls such inner-city gentrification a “benchmark of success,” she recognizes the potential of redevelopment-induced gentrification to “suffocate” traditional low-income neighborhoods, and urges the development of taxing and finance tools to help lower-income people remain in the downtown area.<sup>72</sup>

Exactly this gentrification pattern was also identified by the recent Denver Commission to End Homelessness, when describing overall downtown redevelopment trends:

*“Many low income residents were displaced by condo conversion, redevelopment of affordable properties into luxury high rises and the demolition and redevelopment of some deeply subsidized affordable rental housing projects. Since 1974, Denver has lost almost 3,000 single room occupancy (SRO) units to redevelopment.”<sup>73</sup>*

A map of Denver TIF projects shows them concentrated in the core-city “hot-zone,” a belt of traditionally lower-income communities running in a horseshoe shape around the western and northern rim of the downtown business district. Neighborhoods such as Baker, La Alma/Lincoln Park, LoDo, Highland, Curtis Park and Five Points are the heart of this urban renewal hot-zone.

Further, these areas will continue to attract much of the city’s urban redevelopment energies as they are the heart of the targeted “Areas of Change” highlighted in Blueprint Denver and also lie along the routes planned for the transit-oriented development (TOD) coming with the build-out of FasTracks. Emblematic of this coming change is the massive Gates/Cherokee TOD that will anchor the southern end of the projected transit oriented transformation of inner-city Denver.

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<sup>70</sup> Quoted in Jamie Peck, “Struggling With the Creative Class,” Forthcoming in *International Journal of Urban and Regional Research* (2005), p. 25, downloaded from <http://www.geography.wisc.edu/faculty/peck/Peck-strugglingwiththecreativeclass.pdf> on September 21, 2005.

<sup>71</sup> Indeed, this impact has generally been assumed, although DURA has recently sought to quantify it. See a recent analysis by DURA staff and presented to the Denver Planning Board in 2005, showing that urban renewal efforts in the Highlands Garden Village project (the old Elitch’s site north of Sloan’s Lake) can be directly credited with a significant portion of the rising property values and housing prices in that area of Denver.

<sup>72</sup> Jennifer Moulton, *Ten Steps to a Living Downtown* (Brookings Institute: 1999), p. 20, downloaded from <http://www.brookings.edu/metro/moultonexsum.htm> on July 27, 2005.

<sup>73</sup> Denver Commission to End Homelessness, *Ten Year Plan to End Homelessness* (City and County of Denver: 2005), p. I-1.

Denver has targeted these core-city areas for transformation, and supported its efforts with millions in TIF dollars, targeting mostly upper-income housing and higher end retail and tourist destinations, such as the Adams Mark Hotel expansion, sports stadiums, and the Denver Pavilions. These efforts have substantially improved large areas of core-city Denver, but a troubling consequence has been a growing housing gap between upper-income residents directly benefiting from Denver's urban renewal activities and lower-income residents being displaced from their old communities. The result is transforming historic communities, making it harder for long-time residents (especially renters) to remain in their homes and making it difficult for moderate-income core city workers to live in the city, thus contributing to urban sprawl and longer commuting times.

### **Vanishing Units, Gilded Ghettos, Bleached Barrios, & Displaced Downtowners**

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A clear way to view Denver's gentrification and displacement patterns is to map them, using various economic and demographic indicators, including low-income housing disappearance, the geography of property value changes, racial change, and length of tenure patterns. The following maps provide a visual of these changes in Denver.<sup>74</sup>

- **Vanishing Units** The first map reveals which areas of Denver are losing the most units of low-income housing, and correlates that loss with official urban renewal efforts. Census data shows that across much of Denver in the last decade, low-income housing units have either grown or decreased slightly. However, there are some areas of Denver that have experienced a dramatic loss of low-income housing units, and they are correlated with areas where Denver invests substantial TIF resources.
- **Gilded Ghettos.** The second map shows the geography of changing property values across Denver, and shows that property values are escalating most rapidly in areas targeted by TIF subsidies and other urban renewal efforts. Escalating property values are a goal of Denver's renewal efforts, and are generally a public good. However, without policies to mitigate associated gentrification and maintain moderate income housing opportunities, escalating property values are often associated with the displacement of traditional communities, including communities of color.
- **Bleached Barrios.** The third map reveals Denver's pattern of displacement and demographic transformation. This map shows that although most of Denver is becoming more racially diverse, there is a small group of neighborhoods where white residents are growing as a percentage of the population. These increasingly "bleached" communities are the traditional heart of African-American Denver (e.g., Five Points) and Latino Denver (e.g., Baker and La Alma/Lincoln Park). They are also communities targeted by

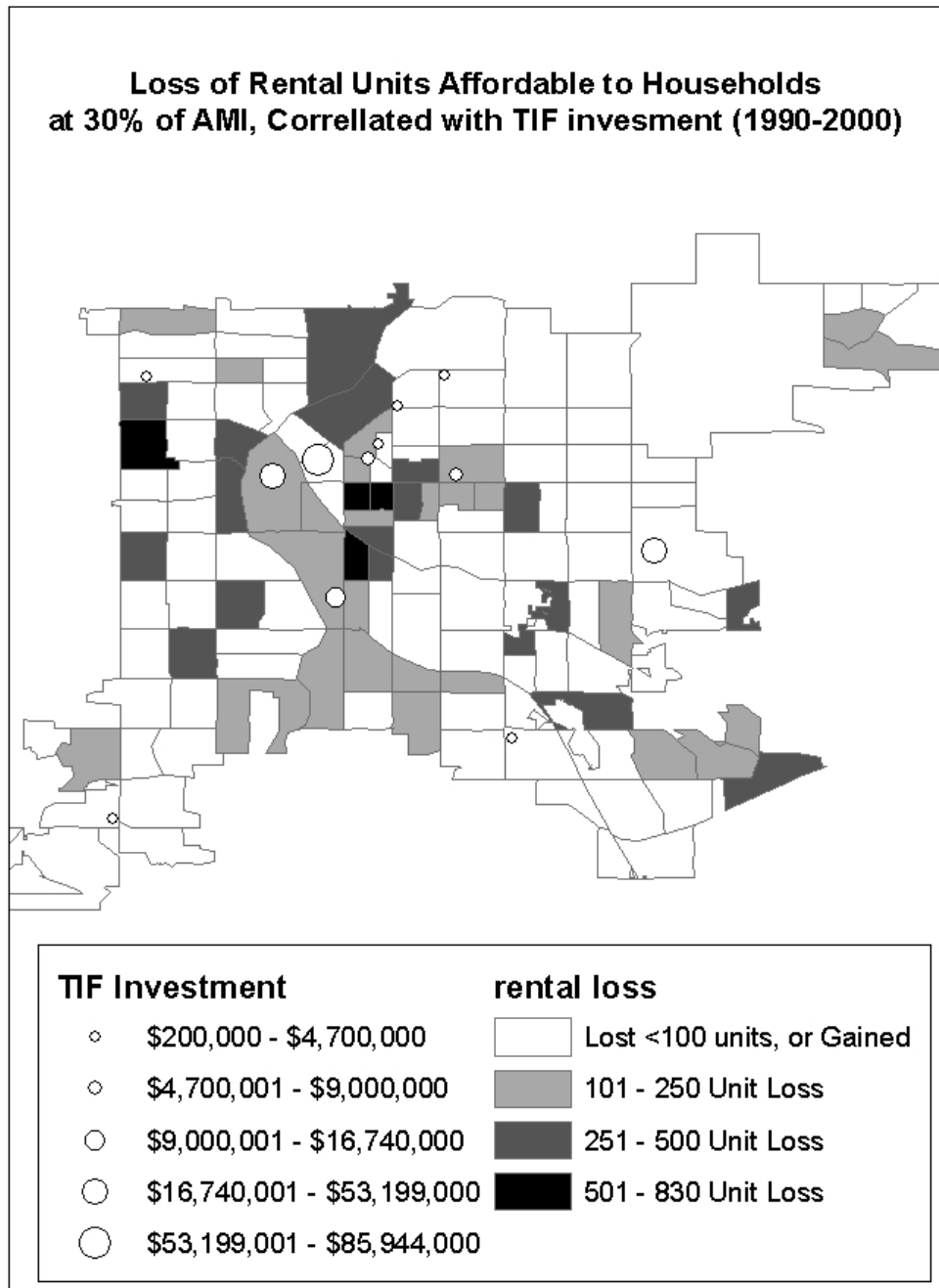
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<sup>74</sup> The TIF investment patterns included on these maps do not include the Stapleton redevelopment project. The census data included on these maps is from 1990-2000, capturing only TIF projects that broke ground prior to 2000.

substantial TIF investment. Such racial transformation raises questions as to who is benefiting from the new housing market catalyzed by urban renewal.

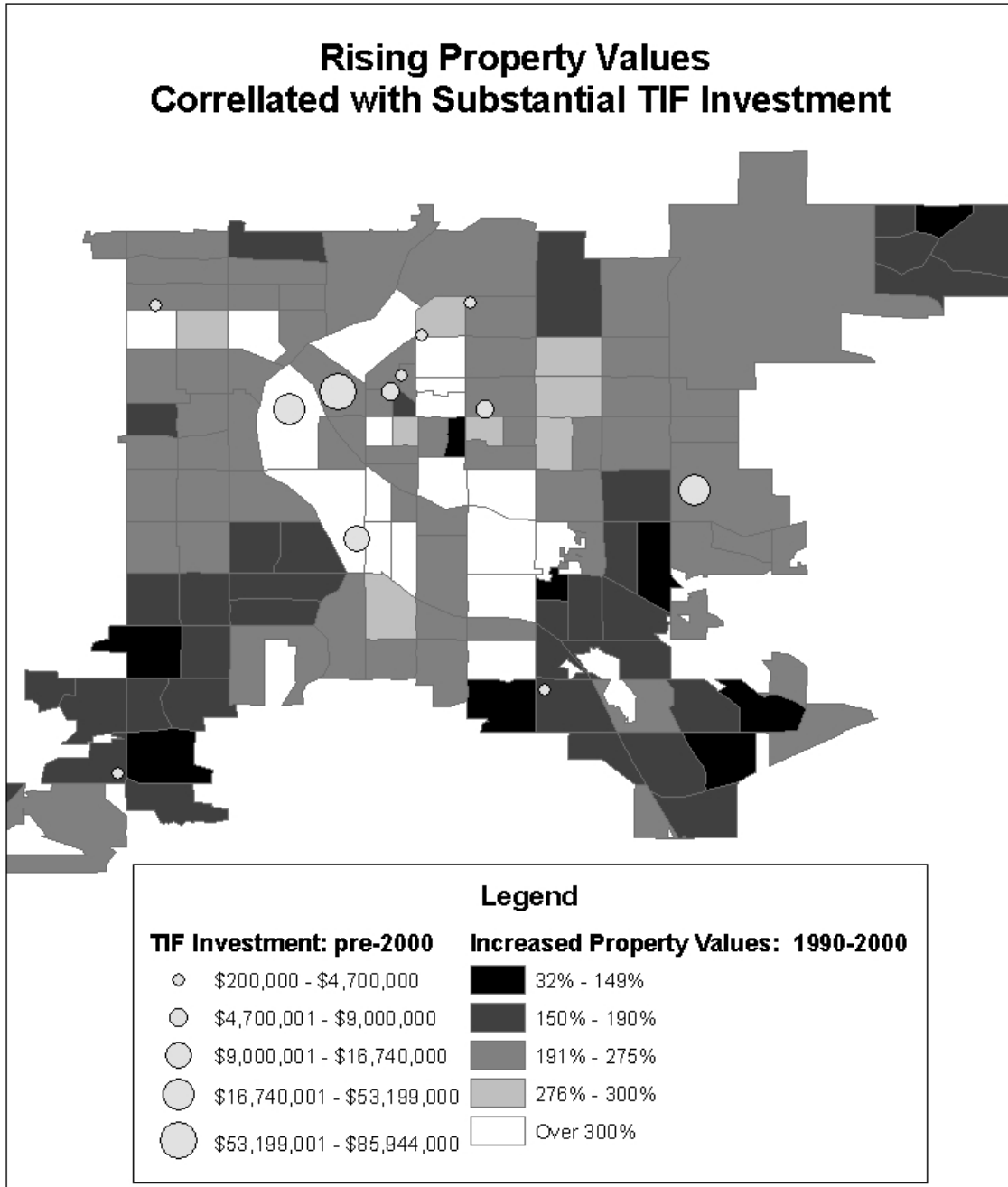
- **Displaced Downtowners.** One way to examine what has actually become of a neighborhood's residents is to look at tenure data for owner occupied housing. In 1990 74% of residents in downtown core tracts had lived there for more than 5 years. In 2000 only 53% of residents had lived there for more than 5 years, representing a decline of 21%. Over the same period of time, the percentage of homeowners living in the same place for more than 5 years in Denver County as a whole decreased only 10%, from 69% to 59%. Whereas core-city Denver once boasted longer tenure patterns than Denver as whole, suggesting established lower-income neighborhoods, these areas of town now have the shortest tenure records, suggesting rapid neighborhood transformation.

## Vanishing Units

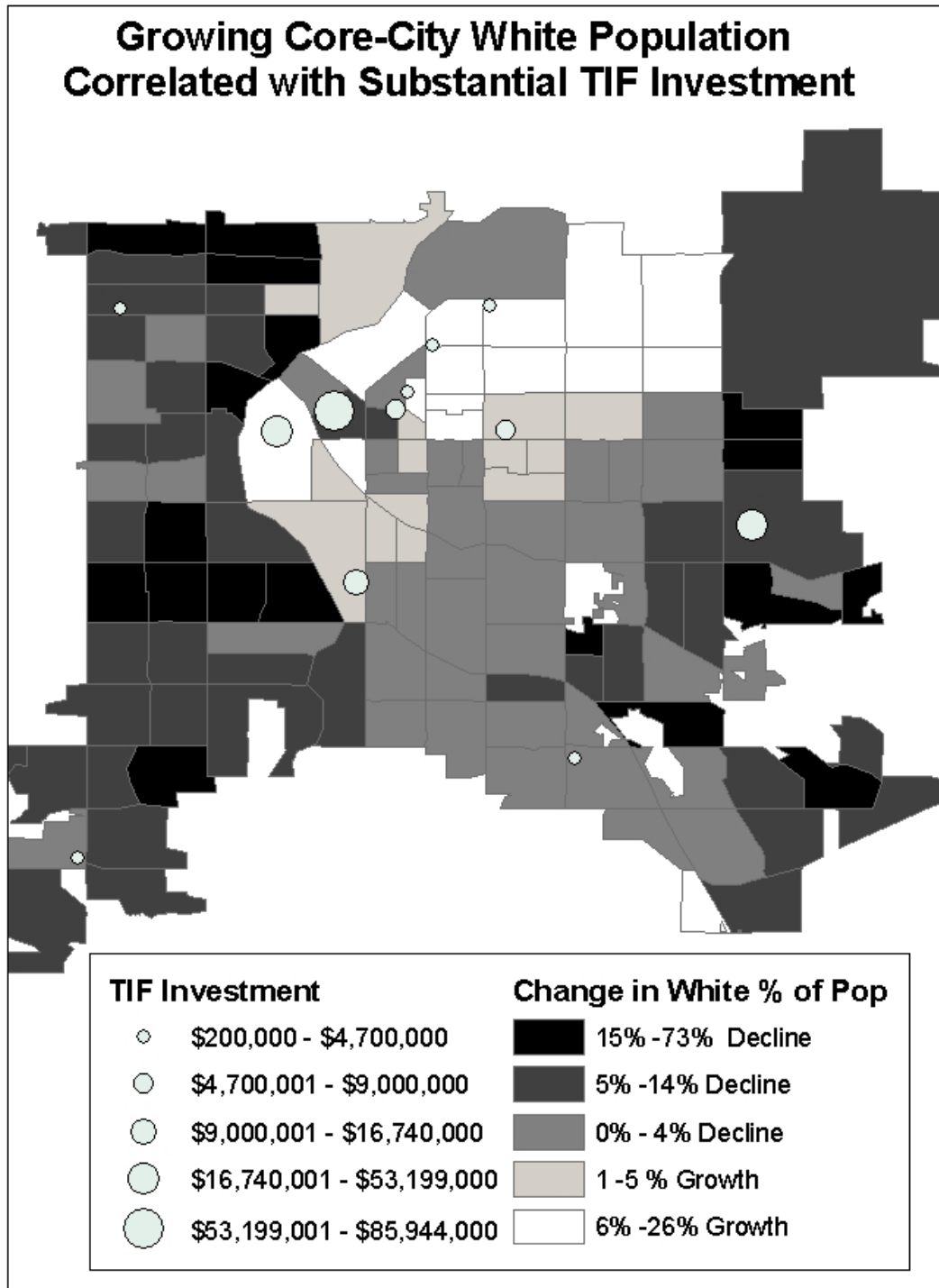




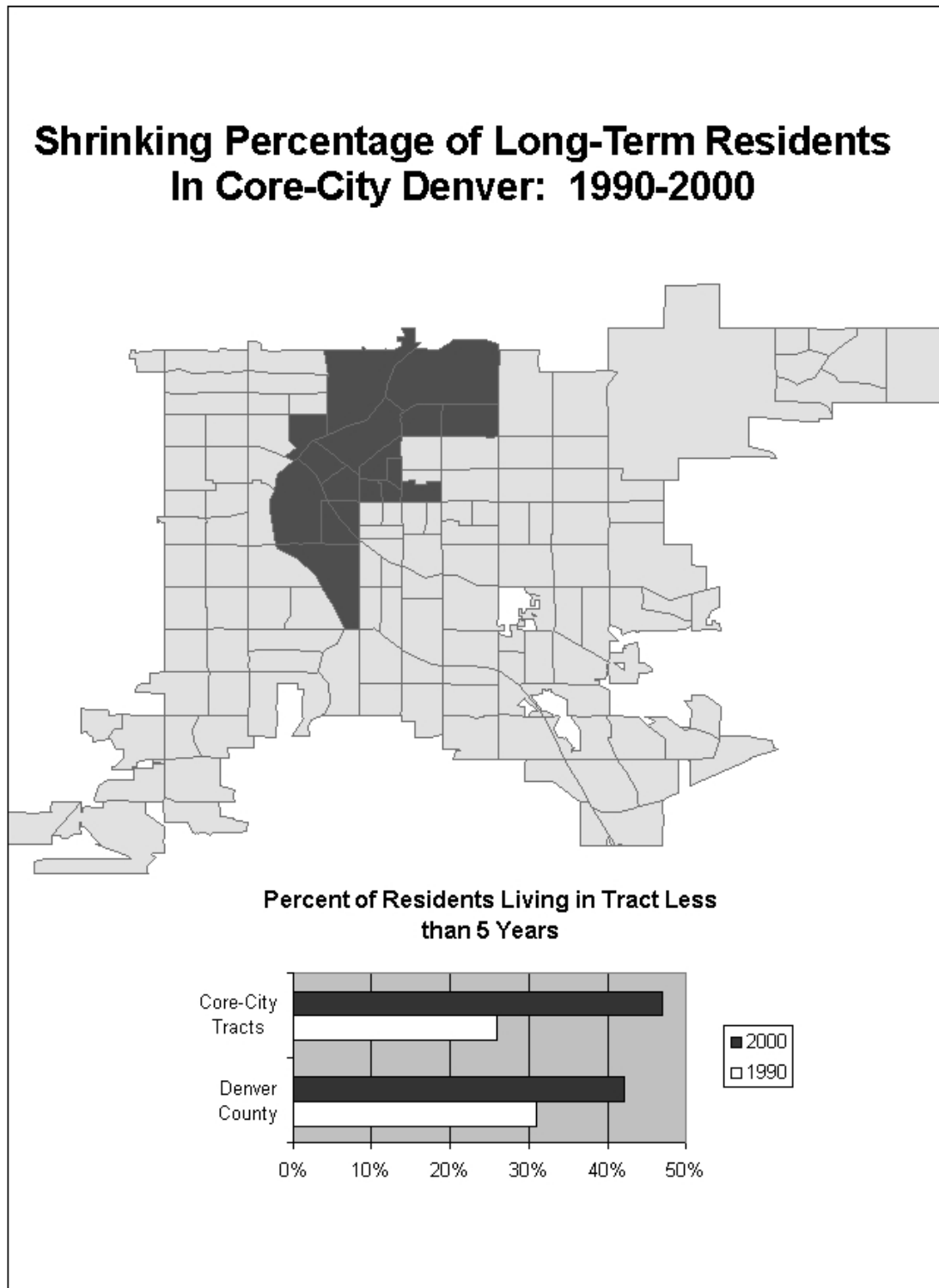
## Gilded Ghettos



## Bleached Barrios



## Displaced Downtowners



Taken together, these maps suggest Denver's TIF investments have facilitated the substantial displacement of existing neighborhood residents (lower-income and often non-white) by new, more affluent residents. Is this what economic development should look like? Evidence suggests that Denver has created a flood of wealth into downtown areas,<sup>75</sup> while lower-income people of color are being floated out of these core-city areas by the rising tide of this newly transplanted, and predominantly white, wealth.

If the demographics of Five Points and North Capitol Hill had stayed essentially the same, but one saw rising income and property values, this would suggest surrounding neighborhoods benefiting from the redevelopment of downtown. Increasing average household income is generally a good sign of redevelopment success, changing demographics indicate it is not the original residents who are benefiting. Instead of benefiting traditional neighborhood residents in lower-income areas, the economic development spurred by TIF subsidies has led to substantial displacement of original neighborhood residents: instead of building stronger and healthier communities, this development has apparently simply replaced the low-income with the high-income.

It is this narrow view of economic development that is, in many respects, the true subject of this study. Envisioning development as simply rising property values and erecting luxurious new buildings often entails displacement of older neighborhoods. If, however, we wish to envision economic development as the development of healthy, strong communities, we must seek not only rising property values for a new class of homeowners, but also pursue improved quality of life and expanded affordability of housing for Denver's moderate income workers. We should not celebrate new jobs and new investment opportunities leveraged by TIF without also examining *what type* of jobs have been created, whether low-income Denver residents been recruited for these new jobs, and who benefits from these new investments. Do jobs pay enough that the low-income workers of Denver can participate in the benefits of economic development? Is the housing affordable? Are people able to remain rooted in their communities? In other words, can we design TIF-investment strategies that raise property values but also improve the quality of life for Denver's moderate-income workers and their families?

**RECOMMENDATION:**

**Document effects of TIF-subsidized development on surrounding neighborhoods.**

*DURA should track the downstream effects of investments by documenting the effects on surrounding neighborhoods over time – and make this documentation available to the public. Changes in household income, racial demographics, unemployment rates, and other factors should be monitored to ensure that development is benefiting, rather than displacing, surrounding neighborhood residents.*

<sup>75</sup> The average household income in the once low-income Union Station area is now topped only by Wellshire, Washington Park, Hilltop, Country Club, and Belcaro, making it the fifth wealthiest out of Denver's 80 neighborhoods. See The Piton Foundation's Neighborhood Facts at [www.piton.org](http://www.piton.org).

**RECOMMENDATION:**

**Draft policy to ensure that development benefits *all* of Denver.**

*If results demonstrate displacement of low-income families, DURA, community stakeholders, and the City should work together to draft appropriate policy to address this issue. Appropriate policy responses could include elevated affordable housing requirements, more comprehensive First Source hiring programs for surrounding neighborhoods, and supplementary investment in surrounding neighborhoods.*

## Getting Our Money's Worth: Summary Recommendations

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### Good Jobs: Are TIF Projects Making Denver a Better Place to Work?

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#### **RECOMMENDATION:**

**Make job creation part of the subsidy-approval process, and establish a system for tracking job creation and job quality performance.**

*The number and types of jobs created by TIF subsidies should be an explicit part of both the planning and approval process. Just as DURA predicts future project revenue, an employment projection, including wage and benefit predictions, would allow the City to estimate the true net economic impact of any development. The City should also establish a reporting system that allows for tracking the number, wages, and benefit structure of the jobs actually created.*

#### **RECOMMENDATION:**

**Establish minimum job quality standards for subsidy-created jobs.**

*Living wage and benefits standards (based on the self-sufficiency standard) should be established for jobs at TIF-subsidized projects. These minimum standards should include expectations that affordable health care be accessible for workers employed at these projects. Mechanisms to meet this health care goal include: recruiting tenants who already provide health care, establishing health insurance purchasing pools for employees of TIF-subsidized projects, or including these employees in the City of Denver health plan.*

*Establishing living wage and benefit standards would ensure that taxpayer-subsidized job creation is indeed a net economic benefit to the City, rather than a hidden increase in public service burdens. Using TIF tax subsidies to create jobs with health care, child care, and sufficiency wages would help move more Denver families out of poverty, and also ensure that our investment has maximal impact by creating more families with more money to inject into the local economy. Accountability rules could be established that reduced TIF outlays to developers in cases where agreed upon jobs standards were not met.*

## Housing: Do TIF-Subsidized Projects Make Denver a Better Place to Live?

### RECOMMENDATION:

#### **Establish affordable housing requirements for all TIF-subsidized developments.**

*DURA, working with the City and community stakeholders, should draft an affordable housing policy for all TIF subsidized developments. This policy should be designed to match the goals of Denver's official housing plans. The 1999 Denver Housing Plan noted that Stapleton was the city's best chance to expand low-income housing, but the Stapleton development plan did not adequately address that goal. The 2005 Report of the Commission on Homeless advocates for low-income housing along transit lines, but its unclear how that goal will be incorporated at sites like the Gates redevelopment at I-25 and Broadway. City officials should be serious in meeting these goals through better affordable housing expectations on TIF projects.*

*Strategies to achieve a better affordable housing mix at TIF-subsidized sites could include: development impact fees channeled into a housing trust fund, revolving funds to improve housing affordability (e.g., a down-payment fund for for-sale housing and a deposit fund for rental housing), and a commitment that projects subsidized with public funds deliver affordable housing to lower income levels and at higher unit counts than what is currently required of non-subsidized private developers under Denver's Inclusionary Housing Ordinance.*

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### RECOMMENDATION:

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*If results demonstrate displacement of low-income families, DURA, community stakeholders, and the City should work together to draft appropriate policy to address this issue. Appropriate policy responses could include elevated affordable housing requirements, more comprehensive First Source hiring programs for surrounding neighborhoods, and supplementary investment in surrounding neighborhoods.*

## Appendix: Methodology Notes for Self-Sufficiency Tables (pp. 17-19)

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- *Family Type*  
We established a distribution of different family types (e.g., single/childless, single parent, married with non-working spouse, married with working spouse) across the workforce at each site using aggregate census data for the Denver workforce as a whole. In the interests of readability and utility, we collapsed some categories with simplifying assumptions – families with children, for example, all have two children.
- *Full-time vs. Part-time / Number of Workers*  
We calculated total full-time and part-time workforce numbers for each site from DURA's documents. We applied the same ratio of full-time vs. part-time workers across each family type.
- *Annual Earnings*  
The average wage at each site was derived from our surveys of workers at each site. Our calculations of annual earnings are cautious over-estimations – a 40-hour week for full-time and 20-hour week for part time workers, with workers being paid for an entire 52-week year.<sup>76</sup>
- *Spouse Earnings*  
“Positive assortative matching” studies<sup>77</sup> establish a strong likelihood of working spouses earning in the same income quintile. Given average wages at the sites, we employed a generous estimate for spousal wages of \$12.10 / hour (above the average wage at all three sites and at the top of the wage quintile for that sector of the workforce). Using Bureau of Labor Statistics data for average hours worked per week for individual workers, we estimated that all employed spouses worked 33.8 hours a week.
- *Household Earnings*  
We estimate earnings for both single income and double-income families. Single workers are calculated as the only household breadwinner. Married workers with a working spouse are calculated as two household breadwinners.

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<sup>76</sup> See footnote 10.

<sup>77</sup> See, for example, Anne Winkler's review of Current Population Survey Data, “Earnings of Husbands and Wives in Dual Earner Families”, *Monthly Labor Review* (April 1988). Lisa K. Jepsen, “An Empirical Analysis of the Matching Patterns of Same-Sex and Opposite-Sex Couples,” *Demography* (Volume 39, Number 3: August 2002), pp. 435-453. R. Fernandez, N. Gurner, and J. Knowles, *Love and Money: A Theoretical and Empirical Analysis of Household Sorting and Inequality*” downloaded from <http://www.arts.cornell.edu/econ/cae/fqkfinal4.pdf> on October 12, 2005.



- *Self-Sufficiency Wage*  
The annual self-sufficiency wage for each family type is drawn from the Colorado Fiscal Policy Institute's 2004 Self-Sufficiency tables for Denver County.
- *Self-Sufficiency Deficit or Surplus*  
This calculation represents the gap between the self-sufficiency wage and the actual estimated household income for each family type.
- *Total Collective Unmet Need*  
This calculation multiplies the self-sufficiency deficit or surplus for each family type by the total number of this family type estimated to exist at the site.

## Acknowledgements & Dedication

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This work is dedicated to our sisters and brothers who have led the way in Los Angeles, San Diego, San Jose, Oakland, Milwaukee, Minnesota, Atlanta, Boston, Seattle, New York, Illinois, and Washington D.C.

## About the Front Range Economic Strategy Center

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The Front Range Economic Strategy Center (FRESC) is a research, policy-development, and public-interest organizing entity devoted to building, fueling, and sustaining a long-term strategic partnership between Colorado labor unions and the region's progressive community. Our goals are to promote responsible, community-centered development that creates strong economic opportunities and broad ramps to training and advancement for all working people on the Front Range, union and non-union alike.



