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COVERING THE BASES

Community Benefits for Public Subsidies in Kansas City

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About this Report: High Road Strategy Center and the Iron District Papers

In August and November 2022, High Road Strategy Center published two papers on the potential soccer stadium and ancillary mixed-development coming to downtown Milwaukee – the proposed 'Iron District.'

The first, *Playing with Public Money in Milwaukee*, documents the nationwide trend of public investment in new sports stadiums and the dubious returns of those investments. The second, *Worker Power Levels the Playing Field*, examines the essential components of an effective Community Benefits Agreement (CBA) and presents their successful implementation as the best possible way to leverage stronger public impact out of the public investments that private developers demand.

We feature Milwaukee's Deer District CBA, which secured strong community gains from the development of and around the Milwaukee Bucks stadium. Central to these gains were strong union representation for venue workers. Both documents were created for the Wisconsin "EARN in the Midwest" project, a collaboration of High Road Strategy Center, Milwaukee Area Service and Hospitality Workers Organization (MASH), and Kids Forward, devoted to building worker leadership and developing policy resources to raise job quality.

Wisconsin's project is part of a broader effort supported by the EARN Network at the Economic Policy Institute and funded by the Robert Wood Johnson Foundation.

In this report, High Road Strategy Center draw directly on these papers to consider lessons for community expectations around sports stadiums in Kansas City.

All reports are available at our website, highroad.wisc.edu.

INTRODUCTION

In November 2022, the Kansas City Royals announced a plan to leave their current home at Kauffman Stadium and search for a location for a $2 billion stadium and entertainment district. According to the Royals, the new development would create 2,200 jobs, mostly in the service and retail sectors [1]. Stadium deals come with big requests for public investment. In this paper, we draw on national evidence and experience in Milwaukee. Despite promises of economic growth and public benefit, national research shows that sports stadium deals cannot be justified in terms of economic impact. As a result, communities and their elected officials should be wary of the promises that teams provide. In stadium deals, the community should attend to concrete questions of the structure and impact of the deal: what will be the job quality in the service jobs the stadium makes? What will secure and maintain that job quality? How will the private developer be accountable to the community? How will workers, the community, and elected leaders be able to monitor the impact of the deal?

We have been considering and writing about these questions in Milwaukee where a stadium deal for the Milwaukee Bucks secured worker rights, strong service job quality, and true community accountability. We draw on the lessons from this work to help inform the public discussion in Kansas City.

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Public Burden: Stadiums Deliver Little and Divert Funds from Schools

While owners seek public investment in sports stadiums on the grounds that the stadiums are engines of urban economic development, economic research provides very little support for claims about positive impacts in terms of jobs, income, and other economic development measures. A review from the St. Louis Federal Reserve summarizes economic research of public investment in stadiums, noting how little they impact local economic activity and employment. The article also notes that the opportunity costs of investment are significant and argues that instead of subsidizing stadiums, cities should consider investments in education or infrastructure that are more likely to promote growth [2].

Similarly, a 2008 paper reviewed 20 years of economic analysis and concluded that subsidies to sports franchises could not be justified on "grounds of local economic development, income growth or job creation."[3] As the authors of the 2008 study point out, "Rent-seeking generates powerful incentives for people like professional sports team owners and professional athletes to divert public money into their pockets." Consideration of public investment in any sports-based economic development deal should be informed by decades of research on the potential impact of these investments.

The opportunity cost of public investments in sports is a critical point in Missouri. Local tax deals around private developments like stadiums are often discussed as if there are no trade-offs, but the structure of school finance in Missouri makes schools and children in them especially vulnerable to tax deals. Missouri State Auditor Nicole Galloway showed that Missouri placed 49th in state investment in schools [4]. School districts therefore rely directly on the local tax base. And tax deals with private developers reduce funding to public and charter schools. A Kansas City report found that the city's public and charter schools lost out on $45 million in potential funding in 2022 because of tax breaks for developers [5].

"There now exists almost twenty years of research on the economic impact of professional sports franchises and facilities on the local economy. The results in this literature are strikingly consistent. No matter what cities or geographical areas are examined, no matter what estimators are used, no matter what model specifications are used, and no matter what variables are used, articles published in peer reviewed economics journals contain almost no evidence that professional sports franchises and facilities have a measurable economic impact on the economy."

Do Economists Reach a Conclusion
on Subsidies for Sports Franchises, Stadiums, and Mega-Events?
(Coates and Humphreys, 2008)

Financing Stadiums in Kansas City: Income Taxes, Federal Opportunity Zones and TIFs

A complex mix of sources provide the structure of financing for the current venue and the proposed structure for the future is complex as well. In 2006, Jackson County voters approved a 3/8th cent sales tax that would go into financing improvements to Kauffman Stadium [6]. The tax is set to expire in 2031, when the lease at Kauffman ends. The Royals have expressed interest in extending the sales tax, and a vote to extend it by 40 more years will be on the April 2024 ballot [7]. Estimates of current operating expenses show that Jackson County pays a total of $3.5 million per year for stadium maintenance while Kansas City proper provides another $2 million annually [8].

In February 2024, the Royals selected the Crossroads District, a Federal Opportunity Zone, as the location for the new stadium. Federal Opportunity Zones ("OZs") are geographic areas where businesses receive tax breaks when investing. Originating from the 2017 Tax Cuts and Jobs Act, OZs were originally meant to stimulate economic growth in low-income areas. However, there are no requirements for local hiring, a living wage, or any affordable housing in any OZ projects. There are also no requirements for investors to engage with local communities. In other words, there are no safeguards to ensure local residents will benefit in any way from OZ projects [9].

In addition, the Royals have expressed interest in seeking Tax Increment Financing. A Tax Increment Financing District (TIF District) is a small geographic area that has been designated as a site for new development by a corporation or developer. As soon as development commences, property values go up, and therefore property taxes increase. Afterward, the property tax value is divided into two pools. The first pool, or "base value," corresponds to old property value before development. The money from the base value goes into general revenue and therefore funds typical public works and services: schools, roads, parks, etc. The "tax increment," or the increase in property taxes resulting from higher property values inside the district, however, goes directly toward developing the TIF district (regardless of how much of that increase in value results from the TIF-financed development). Through a variety of mechanisms, municipalities and developers structure the use of the increment, including issuing bonds at the time of project commencement, for use in the development, to be repaid with future (expected) revenues [10].

Resources from Milwaukee Iron District Papers

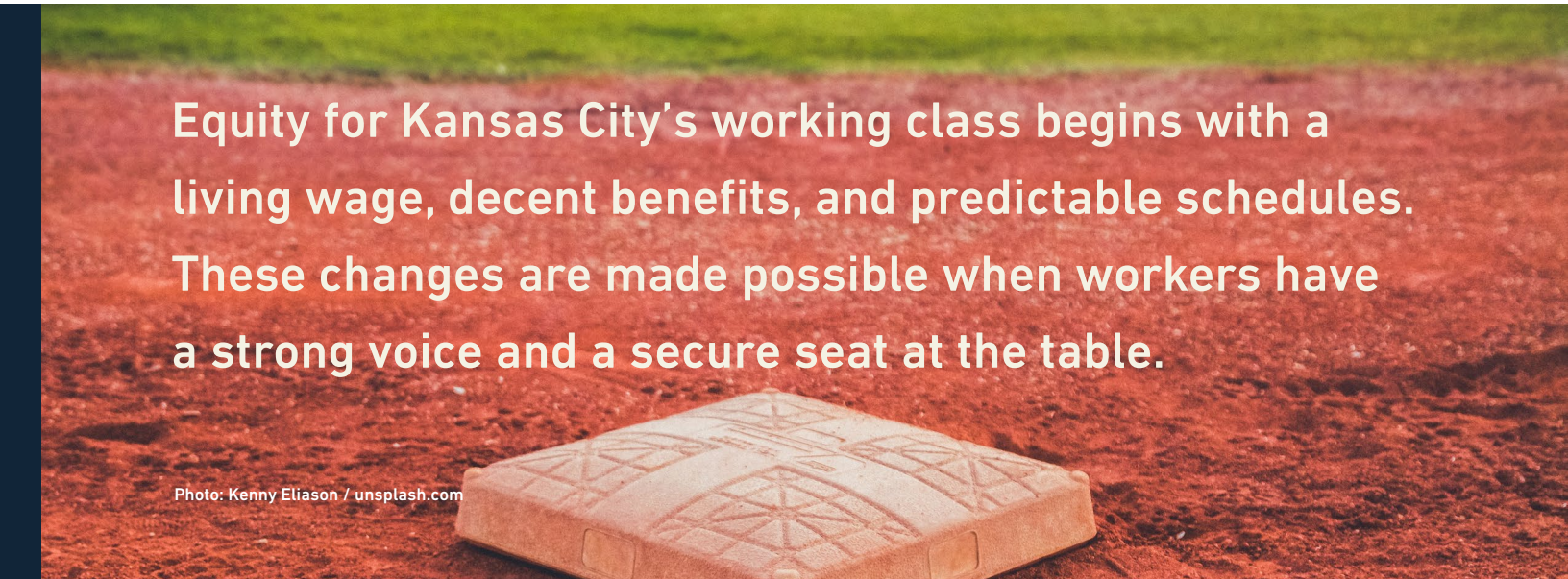
In August and November 2022, High Road Strategy Center published two papers on the potential soccer stadium and ancillary mixed-development coming to downtown Milwaukee – the proposed 'Iron District.' The first paper in this series, *Playing with Public Money in Milwaukee*, looks at the nationwide trend of building new sports stadiums and mixed-use developments with massive shares of public money, and how dubious their actual economic returns are. The second paper, *Worker Power Levels the Playing Field*, examines the essential components of an effective Community Benefits Agreement (CBA) and presents their successful implementation as the ideal response to private developments disguised as public goods. Milwaukee's Deer District CBA, and the strong gains for workers that came out of it, serves as a useful model for community organizations faced with such challenges.

According to recent announcements, The Royals anticipate that "a bulk" of the costs of the proposed $2B development would come from private sources. This implies that the rest will come from the public purse. And the vote to extend the sales tax, the OZ status of the proposed location, and the TIF precedents in the area, suggest some of the public resources that will be called on to support this private venture.

Entering the Playing Field: Development as a Lever to Improve Service Work

The Royals projections suggest that the new Kansas City Royals stadium will create 2200 service jobs. These jobs define the bottom of the American labor market. Too many of the sorts of jobs that are created by stadiums — in food service, janitorial work, and security services — offer low wages, inadequate and often unpredictable hours, and benefits packages that are weak, if they exist at all. These jobs have been a sorry replacement for the good union manufacturing jobs that once defined opportunity throughout the American midwest. The dramatic generational shift from manufacturing to services and declining unionization have left too many urban workers with impossibly low wages and the grinding stress of poverty despite work. This economic transformation has especially damaged the nation's Black communities, resulting in extreme racial disparity in urban areas. *Race in the Heartland* documents these disparities for the Midwest showing that the disparity between Black and white outcomes is extreme throughout the region [11]. While in 1979 Black relative median wages were highest in the Midwest – with the Black median at 95% of the white wage – by the 1990s the relative advantaged had collapsed and by 2017 the midwestern Black median wage was just over 75% of their white counterparts.

All too often, public and private sector leaders confronted by low job quality in the service sector defer to market forces and individual choices, acting as if better jobs are well beyond the practical or effective reach of policy. This is simply not true. For decades, public policy has restricted the rights of workers to organize, shredded the floor under wages and benefits, and rewarded low-road competitors that drive down standards in labor markets. Public policy choices have helped pave the low-road we are on. But just as policy choices have set this road, new public policy choices responding to the organized voices of workers can move service work in urban areas to the high road with strong floors under



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wages and benefits. Service jobs will continue to define economic opportunity across the nation and in Kansas City. Careful policy attention to improve the structure of those jobs will help the workers who hold them and that policy attention needs to extend to the voice of these service workers on the job. Just as unions raised the floor under manufacturing jobs in the 20th century, service jobs of the 21st century can be improved through worker representation. This stadium provides a chance for the community to begin building a more sustainable floor under service work throughout the community.

Equity for Kansas City's working class begins with a living wage, decent benefits, and predictable schedules for service jobs. To secure this, workers need a strong voice on the job and a secure seat at the table. Evidence from Milwaukee shows that this is possible.

Community Benefits Agreements: What makes them work?

A Community Benefits Agreement (CBA) is a codified agreement between a private developer and a community coalition over the terms and impact of a development project. A well-structured CBA is a private agreement that is enforceable and legally binding. The coalition shapes the project through its demands, which are ideally informed by community input. In exchange for the coalition's public support of the project in the approval process, the developer commits to uphold those demands. This structure allows a private agreement to enhance broadly shared community benefits and public interests [12].

Community Accountability

Many things are called "community benefits agreements" but there are a few features that are necessary to secure broad public benefits. First, a CBA should be transparent and enforceable. Without a binding agreement, the developer is not accountable to any assertions or promises they make. A transparent CBA and engaged community empowered to monitor and enforce it provides essential infrastructure to ensure community accountability. For policy makers and their constituents, CBAs also provide transparency and certainty that a project delivers on expectations. CBAs are generally negotiated and finalized between private parties – representing the team and the community. Local governments are often prevented or preempted from the work of monitoring or enforcing a CBA [13].

Through CBAs, community coalitions, however, can make specific demands and therefore can directly address pressing local issues. Such demands can include the right to organize service workers at the development site, affordable housing development, local hiring expectations, wage requirements, and more [12]. The greater the investment of public dollars that local policy makers put in proposed developments, the greater the leverage of the community coalition to use the CBA to raise the community floor on service work.

Unions: A Grand Slam for Service Work

Community leaders should center the question of the quality of service jobs created in a development when considering public investment in private interests. Not all CBAs attend to this question. And not all CBAs attend to the question in a way that sustainably improves the quality of service work. CBAs must include attention to job quality, not only through standards, but also by providing a route to engage and build worker voice to monitor and improve job quality at sports venues. As argued above, unions provided workers power to transform manufacturing in the past and they will be essential to raising the

floor under service work. CBAs should attend to workers' organizing rights and workers' own ability to engage in the work of improving service jobs.

Unions raise wages and reduce inequality. In represented work sites, union workers make more than comparable workers without unions. And this means that union families have greater economic security. According to the Center for American Progress, working-class union households hold nearly four times as much median wealth as their non-union counterparts. Furthermore, working-class families are also more likely to own a home when part of a union [14]. Good paying union jobs are a strategy to support housing.

Good paying union jobs are also a health strategy. A 2021 *New York Times* article summarizes the research:

"Last year, researchers at Emory University published findings suggesting that if the United States increased its minimum wage by just $1 per hour, the suicide rate could drop between 3.4 percent and about 6 percent among adults with a high school education or less — that key risk group."

The article goes on to point out that earlier research also supports this conclusion. Both research from UNC Chapel Hill and a working paper from the National Bureau of Economic Research found that increasing the minimum wage would reduce suicide rates.

Further, and finally, unions are a force for equality in sectors and society as well. When many worksites are represented, union standards begin to spill over into non-union spaces, creating a positive upward pressure on labor standards. Unions also support policy that helps working people and families. They've been essential in raising the minimum wage, extending health insurance, and supporting investments in communities [15].

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Community Benefits Agreements can be designed to improve the quality of service jobs in a city. Transparency, accountability, and increasing service workers' power are all aspects of strong CBAs. Investment in development will either exacerbate or reduce inequalities. Any public investment in private interest should have a concrete strategy to improve the jobs, support workers power, and remain accountable to the community. Milwaukee's experience provides concrete evidence that these things are possible.

Lessons from Milwaukee's Deer District

In 2016, Milwaukee-based community coalition Alliance for Good Jobs and the Milwaukee Bucks announced they had finalized a CBA covering end-use jobs within Fiserv Forum and the surrounding Deer District. The CBA now serves as a nationwide model. Kansas City community advocates, service worker organizers, and local policy leaders should carefully consider its structure. Milwaukee's Deer District CBA is founded on the transparency and enforceability which we describe above. Community leaders were directly involved in negotiating the structure of the deal. And as the Deer District began to add service sector staff, these workers became the sustainable force for accountability on job quality. Three major compliments of the Deer District CBA are essential to the sustainability of community and workers power in the agreement:

1. **LABOR PEACE:** The Deer District CBA provides service and hospitality workers an explicit and fair process to organize and join their union. The pathway is majority signup without employer interference with a guaranteed first contract.
2. **LIVING WAGES:** The Deer District CBE establishes a wage floor in the stadium and surrounding development that is reflective of the local cost of living. As inflation has raised the cost of living, the union has been able to negotiate for higher wages.
3. **FIRST SOURCE HIRING HALL:** The Deer District CBA established a first source hiring hall and hiring at least 50 percent of employees from specified zip codes hit particularly hard by unemployment or underemployment.

Through their union (the Milwaukee Area Service and Hospitality Workers Organization, or MASH), workers in the Deer District are able to ensure the terms of the CBA were met. Most importantly, the union continues to pursue advances in job quality and working conditions on behalf of its workers, and by extension, their quality of life. Unionization is vital in ensuring that every other component of the CBA is maintained, and therefore the enforcer of the returns of the public investment.

Avoiding a Foul Ball: When CBAs Fall Short

As mentioned earlier in this report, not all CBAs are equal. Examples of potential pitfalls include:

1. No signed agreement between the developer and a community-based group with sufficient capacity to monitor and enforce the CBA.
2. Insufficient community leverage to secure meaningful benefit in negotiations.
3. No explicit labor peace provisions for post-construction service sector workers to organize.

In these cases, the failure is in the independence and strength of the community coalition and its structural ability to pursue and enforce the terms of the CBA [12]. It is also crucial for the coalition to understand what long-lasting benefits look like for workers. In other words, a clear distinction must be made between singular acts of corporate charity such as investing in infrastructure or community services versus guaranteeing workers the right to organize and enforce a living wage floor. This especially applies to the post construction service jobs that multi-use developments like the proposed stadium create and sustain.

CONCLUSION

Public money funneled into developers and sports team's pockets for the sake of stadium construction and maintenance is nothing new. Cities across the country routinely make these kinds of investments despite ample evidence that communities don't secure promised economic returns. In Kansas City, policy makers and the general public must contend with critical questions regarding the Royal's proposal for a new, 2 billion dollar stadium. It is especially important to remember that public investment in these works reduces the public's ability to buy other things. This money is not "free" or untethered from public budgets. In Missouri, the structure of TIFs leaves schools without claim on public funds they desperately need.

The most tried-and-tested way to achieve true community benefits from public support of private interest is through a strong Community Benefits Agreement (CBA). The CBA between the Milwaukee Bucks and the Alliance for Good Jobs (now the Milwaukee Area Service and Hospitality Workers Organization) provides a model, structuring labor peace and fair wages for service workers. This is a CBA with meaningful and sustainable impact. Through their union, Milwaukee service workers have a voice in their jobs and increasing influence on public decision making regarding service work.

In the past 40 years, good union manufacturing jobs have steadily been replaced by low-wage, non-union service jobs throughout the Midwest. This trend goes hand-in-hand with racial inequity, as Black and Brown workers are disproportionately in these bad jobs. With a CBA for service workers in the proposed stadium, Kansas City has an opportunity to improve these jobs and reduce racial disparities. Guaranteed family-supporting employment and equitable access to it are required in a Kansas City that works for working people. To achieve that, those who will be most affected – Kansas City's working people – need to be at the table, and a strong CBA for the baseball stadium could be a move in that direction.

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About HIGH ROAD STRATEGY CENTER

High Road Strategy Center is a nonprofit think-and-do tank, based at the University of Wisconsin-Madison, that promotes "high road" solutions to social problems. These treat shared growth and opportunity, environmental sustainability, and resilient democratic institutions as necessary and achievable complements in human development. Through our various projects, we work with cities around the country to promote innovation and the implementation of high road policy. High Road Strategy Center is nonpartisan but values-based. We seek a world of equal opportunity and security for all.

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