

## Resources

### Living Wage Rules and Economic Development Incentives

January 7, 2013

Companies that seek economic development incentives should scrutinize all of the eligibility criteria of each incentive program before signing on the dotted line. Failure to undertake such diligence could reduce the net value of such programs. For example, Travis County, Texas, which includes the City of Austin, recently enacted legislation which requires incentive recipients to pay “living wages” to their employees and third party construction contractors. The City of Austin is considering similar legislation. For now, Travis County and possibly Austin join over 100 other jurisdictions with similar requirements. Such ordinances can have significant short- and long-term cost implications for a project.

Travis County’s legislation applies to any company that receives County incentives. Such companies must now pay their workers, including project construction workers, at least \$11 per hour. That figure varies significantly from the reported average construction worker prevailing wage in the region of \$7.50 per hour. For major construction projects, these additional costs can add up quickly and can effectively dilute the value of an incentive package.

Travis County, however, is not a leader with this legislation. Cities such as Cleveland, Los Angeles and Philadelphia have similar requirements. Cook County, Illinois has a comparable ordinance for certain job categories. One form or another of such ordinances have been percolating in other jurisdictions for years around the country.

Companies should carefully review all program requirements and perform a cost/benefit analysis before entering into incentive agreements. Many incentive programs have “front-end” eligibility standards such as a requirement that a company’s wages exceed a certain percentage of a county’s average wage. Companies should also be careful not to overlook “back end” standards such as living wage requirements. If companies don’t undertake this comprehensive analysis, they cannot fully evaluate the economic value of an incentive package.

Dykema has extensive experience advising clients nationally on site selection and economic development incentives. If you are interested in additional information, please contact Andrew Scott in our Chicago Office at 312-627-8325.

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