

**OFFICE OF THE CITY MANAGER  
DES MOINES, IOWA**

**CITY COUNCIL COMMUNICATION 96-280  
JULY 1, 1996 AGENDA**

SUBJECT:	TYPE:	SUBMITTED BY:
WAGE RATE GOAL FOR CITY-FUNDED LOANS AND URBAN RENEWAL PROJECTS	◆ RESOLUTION ORDINANCE RECEIVE/FILE	RICHARD CLARK ACTING CITY MANAGER

**SYNOPSIS —**

On May 28, 1996 by Roll Call No. 96-2010, the City Council referred a request to the City Manager for a report back to the Council on the City's adopted minimum wage standards for businesses or developers receiving assistance through City loan programs or urban renewal.

At the June 24, 1996, City Council meeting, City staff presented Council with a report addressing the City's minimum wage policy. Council reviewed the report and directed the City Manager to come back to the Council on July 1, 1996 with a roll call in accordance with staff's report.

Staff's report is summarized as follows: Most of the projects assisted through City loan programs and urban renewal projects over the last five years have achieved minimum wages, including benefits at about \$9 per hour. The City must be dedicated to attracting companies which provide livable wages with good quality benefits for their employees. With this as a basic principle, we are recommending that the City increase its minimum wage standard from \$8.50 per hour including benefits, as outlined in the Council's 1994 adopted policy, to \$9 per hour. However, rather than the \$9 per hour standard being an absolute requirement, we are recommending that it become a goal to be achieved which reflects the City's intention. This "goal" would then help guide our efforts in economic development, but would allow the City Council some flexibility as various projects are considered. It is important that our City policy not uniformly exclude a project that falls slightly below this standard when other factors may present, in Council's opinion, an overriding consideration.

**FISCAL IMPACT —**

None.

**RECOMMENDATION —**

Approval of the roll call adopting as a goal, a wage standard of \$9 per hour, including benefits, for non-management, full-time employees. The Council-approved policy applies to all City-funded urban renewal and loan programs.

**BACKGROUND —**

On May 28, 1996, by Roll Call No. 96-2010, the City Council referred a request to the City Manager for a report back to the Council on the City's adopted minimum wage standards for businesses or developers receiving assistance through City loan programs or urban renewal. In particular, the Council asked that the report contain information on impacted companies assisted by the City in the last five years, information on State and Federal minimum wage policies, and Council Member Flagg has suggested raising the compensation policy to an average wage rate of \$9.50 per hour, which may also include benefits as maintained in the current policy.

On November 7, 1988, by Roll Call No. 88I-4946, the City Council approved a \$7 per hour compensation policy, including benefits, for all companies receiving CDBG loans or grants. On November 21, 1994, by Roll Call No. 94-4493, the City Council approved an increase in this policy to an "average wage rate of \$8.50 per hour, including benefits, for non-management, full-time employees," as a compensation policy for City-funded urban renewal and loan projects.

The Council-approved policy stipulates that the average wage is to be "calculated as the wage paid to the employee plus the costs of benefits paid by the employer or on behalf of the employee or on account of the employee, including employer's share of FICA taxes, cost of worker's compensation programs, health, life or other insurance, cost of child daycare programs, and any other direct benefit paid by the employer because of or on account of the employee." The Council-approved policy applies to all City-funded urban renewal and loan programs, with the exception of the Revolving Loan Fund, the proposed Enterprise Community Business Capital Fund and companies in the retail, restaurant and hospitality industries where the average wage rate standard of \$8.50 per hour is applied as a goal rather than a requirement.

In considering this change in policy, the following items need to be considered.

First, it is important to note that most of the direct loan programs administered by the City's Economic Development Division are funded with Federal Community Development Block Grant (CDBG) dollars, which require that 51 percent of the new job opportunities be made available to low- and moderate-income persons. As a result, the job opportunities that are created are often entry level or semi-skilled positions. According to wage survey information for Polk County published by the State of Iowa Department of Employment Services, the average entry level starting per hour wage for most occupations are below \$9.50 per hour. These wage rates contained in Table 1 attached do not include benefits. The data published by the State may suggest that it would be difficult for many entry level positions to qualify under a higher City compensation policy, depending on the level of benefits provided by each company. This could result in fewer new job opportunities being available for low- and moderate income residents. The U.S. Department of Housing and Urban Development (HUD) that administers the CDBG program does not establish minimum wage guidelines.

Also attached to this letter are Tables 3 and 4 which list companies receiving direct City-funded loans and urban renewal assistance over the last five years and one and one-half per year respectively which are required to meet City imposed minimum wage standards. The tables show with which City program the company was assisted, the total project costs, the City loan amount, the number of projected new jobs and the targeted average wage rates for the new jobs. The information contained in Tables 3 and 4 indicate that wages for these projects average at about \$9 per hour.

Second, City-funded loan programs are designed to provide assistance to new and expanding companies that will result in new jobs and expanded tax base within the City of Des Moines. The typical City-funded loan enables the project to proceed in the City and is only part of a larger financing package that includes other sources of funds such as the State of Iowa Community Economic Betterment Account (CEBA), the Iowa New Jobs Training Program and private sector funds. The level of competition to try to attract new and expanding businesses to each City is very strong among Iowa cities and the rest of the country. When you compare the attached Tables 1 and 2 which show entry level wages for Polk County and the rest of the State, it is apparent that Des Moines is already at a competitive disadvantage due to our significantly higher wage levels.

Currently, CEBA guidelines require a starting wage of \$9.31 per hour to qualify, while the Iowa New Jobs Training Program requires a new job starting wage of \$7 per hour to qualify. City staff indicate that the present CEBA wage levels, combined with other program criteria, greatly limit the number of new or expanding businesses in Des Moines that may access the program. Additionally, the CEBA wage requirements for Iowa's 99 counties, as shown on the attached map, create an incentive for new and expanding businesses to seek lower wage counties within the State in which to locate.

Based on the information contained in Tables 3 and 4, it is apparent that most of projects assisted through City loan programs or urban renewal projects over the last five years have achieved minimum wages, including benefits at about \$9 per hour. The City must be dedicated to attracting companies which provide livable wages with good quality benefits for their employees. With this as a basic principle, we are recommending that the City increase its minimum wage standard from \$8.50 per hour including benefits, as outlined in the Council's 1994 adopted policy, to \$9 per hour. However, rather than the \$9 per hour standard being an absolute requirement, we are recommending that it become a goal to be achieved which reflects the City's intention. This "goal" would then help guide our efforts in economic development, but would allow the City Council some flexibility as various projects are considered. It is important that our City policy not uniformly exclude a project that falls slightly below this standard when other factors may present, in Council's opinion, an overriding consideration. Such overriding factors might be the type of new business being considered (e.g., a hotel or start-up business) or the size of the project (e.g., a business with a large number of employees).

#### Attachments

**Table 1: Composite Wage Totals for Occupations in Polk County**

Occupation	Number of Employees	Entry Level Average Per Hour Wage
Professional, Technical and Managerial	10,057	\$12.04
Clerical Occupations	8,591	\$7.13
Sales	2,494	\$7.75
Service	6,092	\$5.60
Processing	286	\$5.63
Machine Trades	1,242	\$8.75
Benchwork	446	\$7.69
Structural Work	1,323	\$9.59
Misellaneous	3,082	\$7.54

Source: Job Service of Iowa, Department of Employment Services, Wage Survey for Polk County, August 1993

**Table 2: Composite Wage Totals for Occupations in the State of Iowa**

Occupation	Number of Employees	Entry Level Average Per Hour Wage
Professional, Technical and Managerial	18,253	\$10.25
Clerical Occupations	12,414	\$5.81
Sales	3,581	\$6.24
Service	9,907	\$4.86
Processing	6,918	\$6.67
Machine Trades	11,798	\$8.50
Benchwork	5,444	\$7.49
Structural Work	3,688	\$8.80
Misellaneous	6,131	\$7.67

Source: Department of Employment Services, 1994 Iowa Statewide Wage Survey September 1994



Table 3: City-Funded Loans Subject to City Compensation Policy 1991-1996

Program	Company	Year Funded	Project Total	City Funds	Projected Jobs	Projected Wages
DMALF - CDBG	Color Converting	1991	\$1,020,000	\$30,000	15	\$9.05 starting wage including benefits
DMALF - CDBG	Competitive Edge	1992	\$340,000	\$60,000	12	\$7.00 starting wage plus benefits
DMALF - CDBG	Blueberry Plastic	92,93,94	\$1,458,800	\$310,000	35	\$8.80 project average plus benefits
DMALF - CDBG	Qualis	1992	\$3,500,000	\$135,000	37	\$8.11 average starting wage
DMALF - CDBG	Dale & Lupe Haviland	1993	\$50,000	\$25,000	3	\$7.00 per hour average project wage
DMALF - CDBG	Larry's Window Service	1993	\$100,000	\$20,000	4	\$7.50 project average plus benefits
DMALF - CDBG	Signs of Distinction	1993	\$375,000	\$75,000	30	\$8.60 average starting wage plus benefits
DMALF - CDBG	Metro Materials	1995	\$850,000	\$75,000	40	\$8.50 starting wage plus benefits
DMALF - CDBG	Enterprise Corporation International	1995	\$1,100,000	\$100,000	50	\$9.00 starting wage; \$11.84 project average plus benefits
DMALF - CDBG	Fiberlite Corporation	1995	\$1,122,000	\$150,000	55	\$9.00 starting wage; \$11.10 average project wage
DMALF - CDBG	Latin king Restaurant	1995	\$960,265	\$105,000	19	\$7.71 starting average plus benefits
DMALF - CDBG	Millard Refrigerated Services	1995	\$1,159,800	\$15,356	16	\$8.84 starting average; 9.34 project average plus benefits
DMALF - CDBG	Narcisse Communications	1995	\$450,000	\$90,000	20	\$10.82 average wage plus benefits
DMALF - CDBG	Accent Tag & Label	1995	\$1,400,000	\$100,000	20	\$10.32 average wage including benefits
RLF-CDBG	Sambettis' Restaurant	1991	\$57,500	\$25,000	3	\$7.00 per hour project average plus benefits
RLF-CDBG	Mid-States Construction	1991	\$60,000	\$30,000	3	\$7.00 per hour project wage
RLF-CDBG	Mid-Iowa Insulation	1991	\$100,000	\$50,000	8	\$14.00 per hour plus benefits
RLF-CDBG	Phoenix Distributors	1992	\$98,500	\$20,000	3	\$7.00 per hour average project wage
RLF-CDBG	Neumann Millwork	1992	\$225,000	\$50,000	6	\$10.90 average wage plus benefits
RLF-CDBG	Signs Plus, Inc.	1993	\$71,980	\$24,380	4	\$7.00 per hour plus benefits
RLF-CDBG	Inner-City Music	1993	\$60,000	\$30,000	3	\$7.00 per hour plus benefits
RLF-CDBG	Mercury Plastics	1993	\$100,000	\$50,000	6	\$7.25 per hour project average plus benefits
RLF-CDBG	Afromart	1993	\$32,250	\$13,500	1	\$7.00 per hour
RLF-CDBG	D. Tate Illustration	1994	\$23,000	\$10,250	1	\$8.00 per hour
RLF-CDBG	Island Pizza	1994	\$50,000	\$15,000	4	\$5.00 starting wage
RLF-CDBG	Tommy's Fish Mkt.	1994	\$147,000	\$35,000	6	\$7.75 starting average plus benefits
RLF-CDBG	Homestead Farms	1994	\$75,000	\$37,500	9	\$8.50 starting wage plus benefits
RLF-CDBG	Olaf Enterprises	1994	\$126,500	\$50,000	16	\$10.00 per hour project average plus benefits
RLF-CDBG	Personal Trainer	1995	\$83,000	\$35,000	5	\$7.00 per hour project average
RLF-CDBG	MailTech, Inc	1996	\$185,700	\$35,000	9	\$7.50 per hour starting wage plus benefits
RLF-CDBG	Grace Labels	1996	\$1,900,000	\$50,000	10	\$7.85 wage including benefits
UDAG	Diamond Animal Health	1993	\$4,650,000	\$200,000	23	\$18.75 average project wage plus benefits
UDAG	Court Ave Printing	1994	\$200,000	\$20,000	2	\$7.00 per hour average project wage
UDAG	G&L Clothing	1995	\$975,000	\$125,000	15	\$9.00 average project wage plus benefits
TIF	DICO	1994	\$6,500,000	\$400,000	60	\$12.48 per hour plus benefits
TIF	Anderson-Erickson Dairy	1996	\$4,500,000	\$72,500	75	\$12.73 average project wage plus benefits
TIF	OPIS Corporation	1996	\$2,613,120	\$65,000	26	\$9.31 per hour plus benefits starting wage; \$14.00 per hour plus benefits average project wage
BRAAP	Roberts & Dybdahl	1995	\$2,400,000	\$200,000	40	\$9.00 starting wage plus benefits; average project wage of \$13.00 plus benefits
Total			\$39,119,415	\$2,933,486	694	

Table 4: City Commercial/Industrial Urban Renewal Projects (1995-1996)

Urban Renewal Area	Company	Project Year	Project Total	Projected New/ Retained Jobs	Projected Wages
Capitol Center I	Employers Mutual Company	1995	\$50,000,000	1,250/15 yrs.	
Central Place	Storey-Kenworthy Company	1996	\$1,500,000	30	
Guthrie	Library Binding Services	1995	\$1,900,000	60	\$14.30/hr. including benefits
Guthrie	MWM Properties	1995	\$630,000	14	Salaried personnel with opportunity to earn bonuses; plus benefits
Guthrie	Moss Development	1995	\$1,600,000	30	\$15.60/hr. including benefits
Guthrie	Moss Development	1996	\$1,900,000	Unknown	Flex space to be leased
Guthrie	Houghton Properties	1996	\$1,360,000	Unknown	Flex space to be leased
Guthrie	Quality Wine Company	1996	\$2,000,000	50	\$9.60/hr. including benefits
Riverpoint	Meredith Corporation	1996	\$25,000,000	100 (cons.)	Salaried personnel plus benefits
Riverpoint	Equitable Life Ins. Co. of Iowa	1996	\$21,500,000	250/5 yrs.	\$10.80/hr. plus benefits
Riverpoint	G & L Clothing	1995	\$975,000	15	\$9.00/hr. plus benefits
Riverpoint	Crescent Chevrolet	1995	\$950,000	21	Commission plus benefits
Riverpoint	Principal Financial Group (Z Bldg.)	1995	\$62,000,000	2,000	

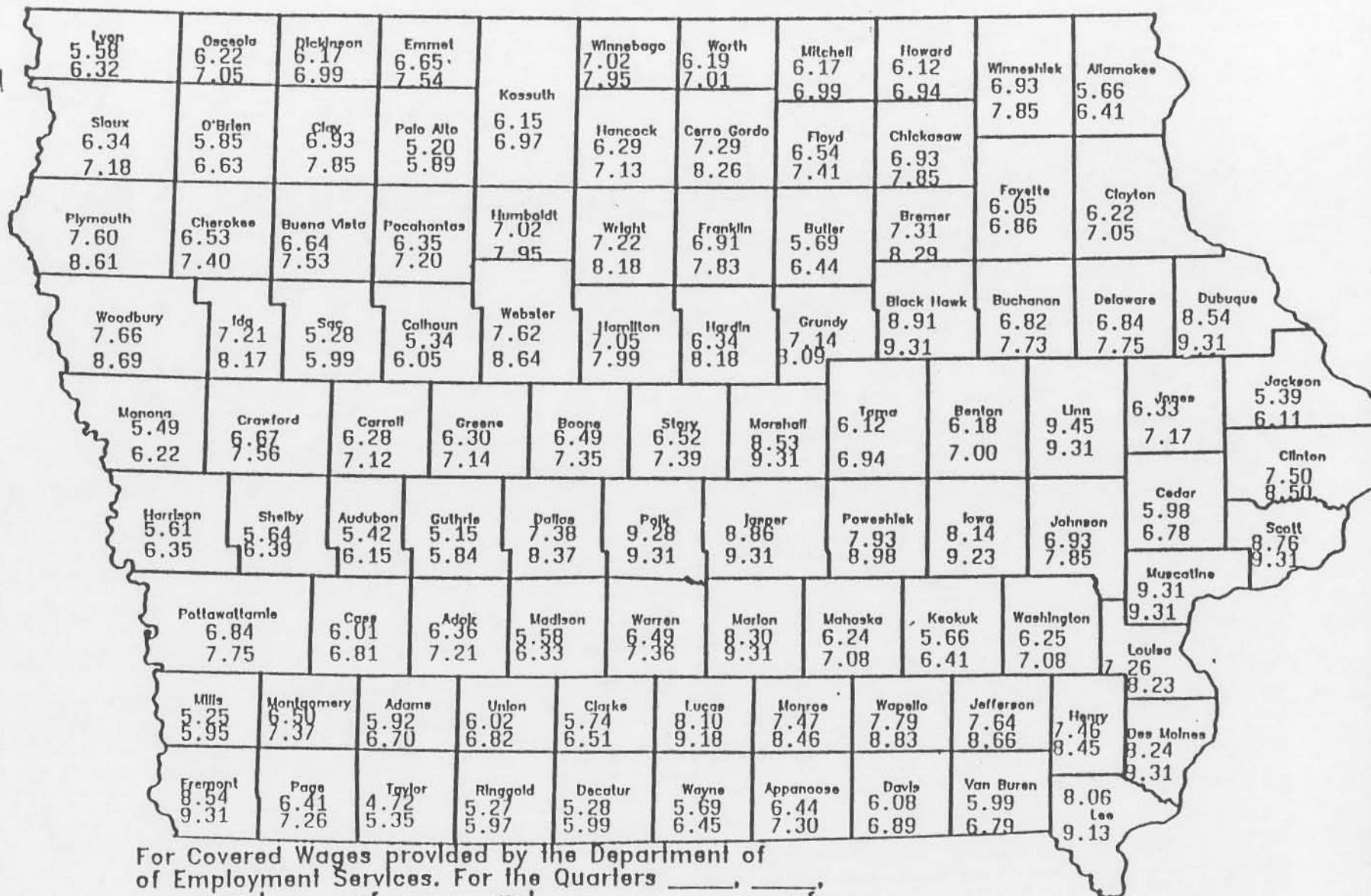
# Iowa Department of Economic Development

## Community Economic Betterment Account

### County Wages at 75% and 85% of Average

75% - Upper Number

85% - Lower Number



For Covered Wages provided by the Department of  
of Employment Services. For the Quarters \_\_\_\_\_, \_\_\_\_\_,  
\_\_\_\_\_, and \_\_\_\_\_ of \_\_\_\_\_ and \_\_\_\_\_, \_\_\_\_\_ of \_\_\_\_\_

For application received 5 / 1 / 96 thru 6 / 30 / 96