Community Benefit Agreements:
New Vehicle for Investment
in America’s Neighborhoods

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Recent Developments in Land Use, Planning and Zoning Law

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Developers and city officials need to know about a new vehicle for community involvement in the land use planning process for major public-private developments.1 If they have not already arrived in your town, Community Benefit Agreements may be coming soon to a neighborhood near you.

I. What Is a Community Benefits Agreement?

A Community Benefit Agreement (CBA) is a legally enforceable contract negotiated and executed directly between the developer and a community coalition of neighborhood associations, faith-based organizations,2 unions, environmental groups, and others representing the interests of

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1. Although they have been on the scene since the dawn of the new millennium, Community Benefit Agreements have attracted little attention in the scholarly literature to date. See Barbara L. Bezdek, To Attain “The Just Rewards of So Much Struggle”: Local-Resident Equity Participation in Urban Revitalization, 35 Hofstra L. Rev. 37, 37 (2006). Though Bezdek mentions community benefit agreements by name only twice, id. at 107, the article is rich with relevant research and observations that led to many valuable insights.

people who will be impacted by proposed new developments. The community obtains important benefits, and in return, developers receive crucial public support for the project through the community coalition’s testimony before land use planning and economic development agencies, city councils, and bond financing entities.

The pioneering model for CBAs was the Staples Center expansion in Los Angeles. The original Staples Center, completed in 1999 after little or no consultation with the neighboring community, subjected area residents to increased crime, congestion, reckless driving, and danger to children whose recreational opportunities were already limited by a lack of nearby public parks. When the Los Angeles Sports and Entertainment District announced plans for a $1 billion expansion including a hotel, arenas, shops, and apartments, the local residents mobilized and provoked a dialogue with developers Philip Anschutz and Rupert Murdoch, seeking “community benefits” to ameliorate adverse impacts and affirmatively improve the quality of life in their neighborhoods. The developers agreed to “an unprecedented package of concessions” demanded by community groups, environmentalists and labor:

[A] goal of 70 percent of new jobs at the officially recognized living wage; a hiring program to give local residents and those displaced by construction first shot at the new jobs, along with training; community consultation on the selection of the project’s commercial tenants; a 20 percent set-aside of affordable housing within the complex; and a commitment of $1 million for community parks and recreation to offset the disruptive effects of massive development.

The developers also agreed to finance a residential parking permit program that reserved street parking for area residents, and they provided $650,000 in interest-free loans for nonprofit housing developers in the area.


6. Id. (“I’ve never heard of an agreement that’s as comprehensive as this,” said Greg LeRoy, director of the Washington-based Good Jobs First, a national clearinghouse that tracks the public benefits of economic development projects.”)


8. Romney, supra note 5.
II. What Factors Provide the Impetus for CBA Negotiations?

The public subsidies so often sought by large developers provide a principal point of leverage for community groups in CBA negotiations. The L.A. Sports and Entertainment District, for example, received an estimated $70 million in public subsidies. Madeline Janis-Aparicio, who serves as executive director of the Los Angeles Alliance for a New Economy (LAANE), summed it up this way: “If public money is used to subsidize private development, then the developer has to guarantee community benefits like good jobs, affordable housing, child care, all the things that communities need.”

Public approvals by land use planning and economic development agencies provide another pressure point for provoking CBA negotiations with developers. In Denver, for example, community activists opposed redevelopment of a brownfields site until the developer agreed to invest in the neighborhood. The developer wanted Denver’s Urban Renewal Authority to declare the site blighted, creating an urban renewal district that would qualify for financial redevelopment incentives. Denver’s Planning Board delayed its decision when faced with community opposition, however, because it regarded the developer’s plans as incomplete. Three years of negotiations among city representatives, the developer, and the Campaign for Responsible Development produced a CBA in February 2006 that included commitments on affordable housing, wages and benefits, local hiring, neighborhood cleanup activities, and controls on big-box development.

9. Bezdek, supra note 1, at 61 (identifying “a host of financing devices . . . deployed to attract developers to state-favored projects, including tax exempt development bonds, public finance and mixed-public/private finance ventures. . . .”); see also SUSAN L. GILES & EDWARD J. BLAKELY, FUNDAMENTALS OF ECONOMIC DEVELOPMENT FINANCE 86 (Sage Publications 2001); GARY STOUT & JOSEPH VITT, PUBLIC INCENTIVES AND FINANCING TECHNIQUES FOR CODEVELOPMENT (ULI-The Urban Land Institute 1982).

10. Romney, supra note 5.

11. Id.; see also GILES & BLAKELY, supra note 9, at x (asserting that “good reasons” exist for developers to provide “community benefits as a requirement to use public assets or receiving public licenses or assistance. The most compelling rationale for requiring a developer to pay fees or provide an offsetting public benefit is that the person receiving public largesse is using irreplaceable civic assets to increase personal wealth.”).


Another opportunity for CBA negotiations arises when developers ask a city to clean up the site or make infrastructure improvements. In 2001, the Valley Jobs Coalition signed a CBA with a developer who stood to benefit from the City of Los Angeles’ commitment to clean up a toxic waste site. The developer of SunQuest Industrial Park accepted a CBA that included $150,000 for a neighborhood improvement fund, allocations of 4,000 square feet of interior space and 10,000 square feet of outdoor space for a youth center, a first source hiring policy, and a goal of seventy percent living wage jobs at the development.

Some CBA negotiations rely for their efficacy on direct communication between community coalitions and the public sector. In Milwaukee, for example, community organizers sought an ordinance from the Common Council to require affordable housing and prevailing wage commitments whenever developers received direct financial assistance from the city or purchased city-owned land. Community activists in Los Angeles negotiated their CBA directly with a city entity, the Los Angeles World Airports, and won a $500 million package of environmental mitigation and jobs-related benefits from the LAX expansion.

CBA negotiations do not work well when the existing zoning comfortably accommodates a proposed project, when no public infrastructure improvements are needed, and when developers have all the necessary financing in hand. Without the leverage afforded by public approval of zoning changes, financial subsidies, or infrastructure improvements, community coalitions have less opportunity to engage developers in a meaningful dialogue.

### III. How Do CBAs Compare with Public-Private Partnerships?

A CBA differs significantly from a development agreement that is entered into between a developer and a city and is commonly called a

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14. Bezdek, supra note 1, at 39 (observing that increasingly across the nation, “local government agencies trade essential infrastructure at low or no cost in exchange for a profit-sharing stake or other return on the city’s investment”).
Public-Private Partnership (PPP).\textsuperscript{20} CBAs, for example, are negotiated and executed directly between community representatives and a developer; by contrast, community members are frequently nowhere to be found in the bilateral PPP negotiations between a developer and a municipal entity: \textsuperscript{21}

The eclipse of traditional land use planning procedures by cities’ wholehearted embrace of development agreements and similar bilateral negotiated approaches leaves next to no room for the public. State enabling statutes eliminate substantive restrictions that previously applied to negotiations between cities and developers, in order to provide exceptional bargaining flexibility. Public participation is perfunctory and futile: By design it is too little and too late, disproportionate to the complexity of the undertaking and to the preferential access of bidding developers. The negotiated processes of most states utilizing development agreements are not covered by due process requirements of a public hearing, findings of fact, or prohibitions on ex parte communications between developer applicants and local officials. As a consequence, current procedures allow officials to relegate affected community interests to after-the-fact comments, the timing of which precludes meaningful exchanges of information between the public and local government officials. Conversely, the bilateral negotiation model accords to developers early, active and substantively significant opportunity for preliminary negotiation within the project approval process, wherein the developer applicant’s input is both critical to the local government actors’ decision-making, and analogous to the negotiation of private real estate deals.\textsuperscript{22}

The traditional public planning process afforded at least a semblance of public participation,\textsuperscript{23} but PPPs have undermined even that modicum of citizen input by fostering direct and private communication between developers and public officials over a wide and flexible array of land use choices.\textsuperscript{24} CBA negotiations can restore a measure of balance by

\textsuperscript{20} See, e.g., Giles & Blakely, supra note 9, at 42; Robert H. Freilich, Public/Private Partnerships in Large-Scale Development Projects, in Managing Development Through Public/Private Negotiations 15–22 (Rachelle L. Levitt & John J. Kirlin eds., 1985).


\textsuperscript{22} Bezdek, supra note 1, at 59 (footnotes omitted).


\textsuperscript{24} See generally Camacho, supra note 21, at 36–42, (noting that this “system affords a developer and local government wide latitude to renegotiate the extensive
empowering the community to participate meaningfully in the planning process through a direct dialogue with developers.25

Some early PPP negotiations did include a dialogue between the developer and neighborhood residents, but these discussions focused on “physical and operational” elements of the proposed development (e.g., permitted uses, density, height and setback requirements, landscaping and buffering, lighting).26 CBA negotiations precipitated a substantially different dialogue that moved beyond the narrow focus on a project’s physical and operational aspects to address a broader agenda of living wage and local hiring commitments, affordable housing, and direct community benefits such as park or playground improvements, community centers, and funding to aid area residents.27

CBAs generally are contracts between two private parties—a developer and a community coalition.28 Consequently, they are not subject to the legal problems that confront public entities, such as a city, when entering into a development agreement with the same developer.29 Unlike CBAs, PPPs must be legally evaluated in terms of their impact on the municipality’s exercise of its police powers.30

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25. See sources cited supra note 3.
27. Giles & Blakely, supra note 9, at ix-x (using the term “linkage programs” to describe a broader agenda that “require[s] specific project funds from the developer in exchange for the right to develop within the city core. The developer may be required to provide funding for a community arts program, recreation, housing, senior care, a youth orchestra, youth soccer, or other public benefits.”).
28. The CBA executed in connection with expansion of the Los Angeles Airport was unique for its time in that the community coalition negotiated directly with a public entity, the Los Angeles World Airports.
29. The public sector legal problems have been well identified over the years and have received extensive discussion. See David L. Callies & Julie A. Tappendorf, Unconstitutional Land Development Conditions and the Development Agreement Solution: Bargaining for Public Facilities After Nollan and Dolan, 51 Case W. Res. L. Rev. 663 (2001); Daniel J. Curtin, Jr. & Sanford M. Skaggs, Legal Issues and Considerations, in Development Agreements: Practice, Policy, and Prospects, supra note 19, at 121; Robert H. Freilich, Legal Constraints on Public/Private Negotiations: A Checklist of Issues and Cases, in Managing Development Through Public/Private Negotiations, supra note 20, at 139; Katherine E. Stone & Cristina L. Sierra, Case Law on Public/Private Written Agreements, in Managing Development Through Public/Private Negotiations, supra note 20, at 99.
30. The general long-standing rule is that states and localities may not “bargain away” their free exercise of the police power. Stone v. Mississippi, 101 U.S. 814 (1879). When states enact legislation to authorize development agreements, however, states can
and with regard to possible unconstitutional impairment of contracts.31

PPPs often exert considerable adverse impacts on the neighborhoods in which their developments are located.32 Yet state33 and local34 laws authorizing and implementing development agreements fail to provide for third-party participation in negotiating PPPs.35 CBA negotiations create a forum to address these otherwise neglected third-party interests.

IV. How Do Community Coalitions Organize for CBA Negotiations?

The essential first step in pursuing CBA negotiations is to organize a broad-based coalition of community interests. In New Orleans,
these diverse interests formalized their relationship by executing a Community Benefits Coalition Operating Agreement, which committed the initial coalition members to an ongoing search for additional stakeholder organizations that might be recruited as members.

In executing the Operating Agreement, members also agreed to be bound by the following “Operating Principles”:

- A member who seeks or may receive a direct benefit from the proposed CBA may not serve on the negotiating team.
- A member may not act individually to negotiate with the developer.
- A member may not work for or derive any benefit from the developer for a period of one year after execution of the CBA.
- Disagreements with other coalition members will not be aired publicly.
- A member may not speak out individually against a project under CBA negotiations without first resigning from the coalition.
- Questions or concerns about implementation of the Operating Agreement and Operating Principles will be brought to an ethics committee for resolution.

These Operating Principles serve the dual purposes of promoting harmonious relations among coalition members and immunizing the coalition and its members from potential conflicts of interest.

Because of its broad-based and inclusive nature, the community coalition lends a degree of democratic legitimacy to bilateral negotiation of land use decisions—a strategy that relies for its legitimacy “on the faulty assumption that professional planners can represent the interests of an entire community with little input from those affected by a particular decision.” PPP negotiations have historically failed the test of democratic legitimacy under either a “pluralist”

37. Id.
39. See Camacho, supra note 21, at 46–47. The pluralist model assumes that government’s role in resolving land use disputes is to inventory the clashing interests of all affected parties and maximize aggregate welfare, but “this theory assumes that the development approval process actually integrates the interests of all affected parties into decisions. In fact, bilateral land use negotiation approaches are essentially designed to discount the preferences of many of those affected by the ultimate land use decision.” Id.
or a “civic republican”\textsuperscript{40} model of governmental decision making.

[Development agreements often] force local governments to place the interests of real estate developers above those of other affected parties [by requiring the municipality] to cooperate with the developer in securing all future discretionary permits [and] to cooperate with a developer in the event another affected party sues to challenge project approval.\textsuperscript{41}

Even independent of such binding contractual commitments, by the time they have negotiated the development agreement, “both the developer and local government administrative officials often have a significant stake in preserving the agreement as drafted.”\textsuperscript{42} Governmental staff, who are supposed to represent the public as a reliable proxy in bilateral negotiations from which members of the public are routinely excluded,\textsuperscript{43} thus find themselves more often than not in league with developers and at odds with citizens. In this context, CBA coalitions are absolutely vital to restore democratic legitimacy by affording community groups a voice in deliberations from which their third-party interests would otherwise be wholly excluded.

\section*{V. How Do CBA Negotiations Enhance Honesty and Openness?}

CBAs respond to what might be characterized by some developers as the “Graft Problem,” occasionally manifested in the form of individuals or community groups who threaten to oppose the project unless their demands are quietly met by developers.\textsuperscript{44} The best solution is to put these

\textsuperscript{40} The civic republican model assumes that “public interest” emerges from “a deliberative political process that focuses on collective self-determination and the interdependence of citizens, rather than through competing private interests,” but the reality of bilateral negotiations is quite different: “Adversarialism and self-interest, rather than cooperative problem solving, are the mainstays; none of the agreement-based or negotiated zoning regimes offer a sense of community engagement or cohesion.” \textit{Id.} at 49.

\textsuperscript{41} \textit{Id.} at 59.

\textsuperscript{42} Camacho, \textit{supra} note 21, at 44.

\textsuperscript{43} \textit{Id.} at 50–51 (asserting that “the bilateral negotiated model shifts much of the burden of representing the many varied interests in the locality and region to land use planning staff,” leaving staff with a nearly insurmountable challenge: “When other affected parties are excluded from negotiations and other components of the decision process, local government administrative staff must guess, with respect to every facet of the project, what resolution would best balance and serve these various affected (and often conflicting) interests.”).

\textsuperscript{44} The “Graft Problem” is not limited to community groups, but it seems to “come with the turf” in the municipal land use decision-making process, adversely impacting the conduct of some local elected officials and city employees. \textit{See} Camacho, \textit{supra} note 21, at 42–43 & n.174; \textit{see also} Alan G. Altshuler et al., \textit{Regulating for Revenue: The Political Economy of Land Use Exactions} 59 (Brookings Institution & Lincoln Institute of Land Policy 1993).

discussions into a transparent context. CBA negotiations change a *sub rosa* one-on-one dialogue between a developer and individual community groups (or even individual community members) into a publicly acknowledged dialogue between the developer and a coalition of responsible community organizations. Developers benefit from this increased transparency: When developers negotiate a community benefit with the coalition, they get to announce a “win” publicly; they get no favorable publicity for unsung payments arising out of private communications with potential opponents of the project.

Community coalitions impose strict safeguards on their members in order to protect CBA negotiations against corruption. Conflict-of-interest principles prohibit coalition members from participating in CBA negotiations if they or their organization stand to gain any direct benefit from the negotiations.45 There’s nothing wrong with a benefit going to a community group—say funds to support a child care center—but that group should not serve on the team negotiating for benefits with the developer.

VI. Who Enforces CBAs and How?

The CBA is an enforceable contract between the developer and a community coalition.46 Although the contract can be enforced in court by the coalition or its individual members, numerous mechanisms militate against litigation to resolve disputes.47 First, within the coalition itself, member organizations agree not to take individual action in court against a project but to be bound by the coalition’s decisions.48 Most CBAs also create an Implementation Committee that serves as a forum for monitoring compliance and addressing noncompliance issues at the earliest stages.49 Many CBAs provide for a right to cure50 and for mediation or other ADR processes as alternatives to litigation.51 When CBAs are incorporated into the public-private partnership agreement executed between the city and a developer, municipal officials can also bring

46. *Id.* at 10.
47. *Id.* at 11.
48. CBA Operating Agreement (on file with the author).
50. *See, e.g.*, *id.* art. 9, § 9.5.2 (last visited May 9, 2007).
51. *See, e.g.*, *id.* art. 9, §§ 9.5.3 & 9.5.4.1 (last visited May 9, 2007).
their own conciliation and enforcement strategies to assist in resolving disputes.\footnote{See, e.g., the NoHo Commons CBA, http://www.communitybenefits.org/article.php?id=571 (last visited May 9, 2007) (incorporated into the Los Angeles Community Redevelopment Agency’s agreement with the developer).}

It works the other way around as well. Community coalitions can help cities monitor compliance when, because of inadequate municipal resources, development agreement “implementation and enforcement are neglected altogether or relegated to developer self-reporting.”\footnote{Camacho, supra note 21, at 52.} A properly negotiated CBA establishes enforceable reporting and monitoring obligations that enable a coalition to hold developers accountable for the commitments they make while in hot pursuit of public subsidies. An exclusive reliance on public sector personnel to monitor compliance by developers “overburdens local governmental planning staff and undervalues the capacity of nongovernmental groups to participate in implementation and enforcement.”\footnote{Id. at 64.}

VII. Why Should City Officials and Developers Support CBA Negotiations?

We’ve already reviewed several good reasons—enhanced compliance and monitoring measures, stronger democratic legitimacy for land use decisions, greater openness and honesty in the treatment of developers. Here are three more good reasons why CBA negotiations make sense:

1. \textit{Equity}—Neighborhoods threatened by large-scale development deserve the opportunity to discuss directly with developers any measures that could ameliorate adverse impacts and affirmatively strengthen the area.\footnote{See generally Bezdek, supra note 1, at 43–73 (reviewing the history of redevelopment strategies and their inequitable impact on the poorest and politically weakest neighborhoods in cities).} Additionally, developers have a shared interest in protecting and enhancing the quality of life within neighborhoods adjacent to their multi-million dollar investments.

2. \textit{Economic Development}—CBAs that assure living wages and benefits for employees of the new development\footnote{Despite large public subsidies, these public-private developments have frequently failed to live up to their billing in terms of new jobs at good wages. See, e.g., CENTER FOR COMMUNITY CHANGE, BRIGHT PROMISES, QUESTIONABLE RESULTS: AN EXAMINATION OF HOW WELL THREE GOVERNMENT SUBSIDY PROGRAMS CREATED JOBS 9–11 (1990) (concluding that enterprise zones, industrial revenue bonds, and Urban Development} increase earnings and
spending power among area residents, particularly if accompanied by a local hiring commitment that favors employment of area residents. These additional dollars “roll over” several times in the local economy, generating multiple waves of economic development. Many dollars go to existing small businesses whose customer base may be eroded by new large-scale developments. Thus, CBAs support economic development by enhancing the well-being of area residents and strengthening their ability to buy locally at existing small businesses in the community.

3. **Functionality**—The development process simply works better when all parties are on the same page. A successful CBA negotiation wins support for a proposed new development from community groups that might otherwise challenge the project.\(^\text{57}\) Developers hate risk, and if they can eliminate or minimize it in the development process, that’s worth something to them. When community groups sign a CBA, they acquire a shared interest with the developer in seeing the development built, because that’s the only way their community will receive the negotiated benefits.

From this last principle flows another truth about CBAs: They have little or nothing to do with the NIMBY (“not in my back yard”) problem. Area residents who are unalterably opposed to a proposed development simply will not enter into CBA negotiations because that would commit them to support the development. CBAs are not an “antidote” to NIMBY concerns; they essentially inhabit two different worlds.

**VIII. Conclusion**

In order for public officials to appreciate the positive impacts that CBA negotiations offer cities and their affected neighborhoods, we must reframe their perceptions of “economic development” to encompass broad community concerns. If “economic development” is narrowly defined to mean attracting new businesses into the local economy, CBAs

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\(^{57}\) Janis-Aparicio & Tynan, *supra* note 2 (“The CBA process offers developers an attractive alternative to litigation and polarizing public debates, which can delay or doom a project.”).
may be viewed unfavorably as mere “speed bumps”\textsuperscript{58} that increase costs and deter developers from investing in a community. But economic development also means paying a city’s residents good wages, thereby enabling them to support local businesses with their increased buying power. Economic development means sustainable development that protects and enhances the long-term environment of cities and neighborhoods.\textsuperscript{59}

Sound economic development policy might also assess the impact of new development on existing businesses and plan strategies to reduce any adverse impacts on established businesses.\textsuperscript{60} An analogy may be drawn from the realm of state administrative rulemaking.\textsuperscript{61} When agencies propose new regulations, they must prepare and publish a fiscal and economic impact statement assessing the proposed new rule’s impact on state revenues (the “fiscal” component) and on competition in the private sector (the “economic” analysis).\textsuperscript{62} A similar analysis of fiscal and economic impacts should perhaps accompany proposed public-private developments as they make their way through the system of public approvals. The soundness of this analysis could also be tested through public comment opportunities similar to those guaranteed in APA-style notice-and-comment rulemaking.\textsuperscript{63}

City officials, developers, and community organizations all share an interest in negotiating and executing Community Benefit Agreements. Land use lawyers need to know how they can assist their public, private, and nonprofit clients in navigating CBA negotiations. A significant number of cities have already produced a sufficient body of CBAs to invite closer scrutiny by both the legal academy and the practicing bar. All of these factors suggest that whether or not Community Benefit Agreements have yet arrived in your town, they have “arrived” on the land use scene and promise to be an enduring feature of land use planning and development for many years.

\textsuperscript{58} Camacho, \textit{supra} note 21, at 38 (“Unfortunately, local officials often treat public participation as if it obstructs or provides only marginal benefits to the decision process, rather than embracing it as an essential element of decisionmaking.”).


\textsuperscript{61} ARTHUR EARL BONFIELD, \textit{STATE ADMINISTRATIVE RULE MAKING} (Little, Brown & Co. 1986).

\textsuperscript{62} \textit{See}, e.g., \textit{LA. REV. STAT. ANN. §§ 49:953(A)(1)(a)(ii) and (iii), (3)(a) and (b), and (E) (2006).}

\textsuperscript{63} \textit{See}, e.g., \textit{id. §§ 49:953(A)(1)(c) and (2)(a).}