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HEADLINE: Groundbreaking Deal on Wages?; Union Workers Outside D.C. May Gain Most at Gallery Place

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BODY:

In a heated white tent near MCI Center, D.C. city officials gathered yesterday to munch on shaved salmon and applaud themselves and a development team for completing a pact to build a \$ 195 million entertainment, retail and housing complex atop the Gallery Place Metro station.

But the backslapping was a far cry from two weeks ago, when city officials told developers Herbert Miller and John "Chip" Akridge some bad news: They would have to pay construction workers on the project prevailing wage rates before the city would approve an innovative \$ 46 million financing package.

D.C. Council member Jack Evans (D-Ward 2), whose district includes the site, bordered by Sixth, H and Seventh streets NW, said Akridge and Miller "were apoplectic because it added another \$ 8 million to the cost of the project."

After the groundbreaking at the construction site, Miller diplomatically said the developers were surprised by the last-minute request after months of negotiations, but eventually agreed to hire contractors who pay the higher wages after the city kicked in an extra \$ 2 million to the financing package.

"I'm a developer . . . I assume everything is going to go wrong and then you're never disappointed," Miller said.

Bill Highsmith, a special assistant for planning and economic development in the mayor's office, described the requirement as "just part of [Mayor Anthony A. Williams's] plan to make sure the best wages are paid to District residents on any project in which the city government is participating."

Highsmith said the estimate of an extra \$ 8 million cost "sounds pretty accurate," but added that the overall agreement is "still the win-win situation we're all seeking. It'll get built."

Under the pact, the city is requiring the developers to pay construction workers "not less than the relevant prevailing wages," which typically means whatever the current union wages are for specific trades.

In the view of some city officials and those familiar with wage scales in the construction trades, however, the higher rates are more likely to be a boon to union workers from Maryland and those from as far away as New Jersey and New York than to construction workers from the District. By requiring prevailing wages, the rule in effect rules out nonunion contractors who don't want to pay the higher wage.

"I have mixed feelings on that," Evans said. "We're a union town. Frankly, I'm trying to get jobs for people in my district. So it's not necessarily helpful to people who are not in the union. People outside the neighborhood or the city are going to get the jobs. The people I represent are not in the union."

Miller described the prevailing-wage requirement as "a worthy objective" but said "it was hard to figure out how to absorb that cost. Obviously it'll help unions, but we're going to try to help people in the District."

John McMahon, chairman of nonunion Miller & Long Co. Inc., the area's largest concrete supplier, said the District's prevailing-wage requirement is "a way to make the unions happy."

"That means they'll have to bring in a lot of out-of-town people from New Jersey and New York," he said. "It's not fair for the average guy who lives in the District."

He said his concrete workers average \$ 18 an hour, \$ 4 to \$ 6 less an hour than union workers. He said his firm hasn't decided whether to bid for work at Gallery Place.

Under the deal with Miller and Akridge, the city has promised to provide \$ 46 million in "tax increment financing" to help cover the construction costs. That's \$ 2 million more than the developers originally sought; the city kicked it in to pay for part of the higher wages. The city plans to sell \$ 46 million in bonds backed by future tax collections from the project, becoming, in effect, a partner with the developers.

While officials shoveled loose dirt inside the tent yesterday, the actual construction on the project is expected to start early next year, with completion planned for the fall of 2001.

How the completed retail and housing complex atop the Gallery Place Metro site will look. The project is scheduled to be finished in the fall of 2001. Breaking ground, from left: D.C. Council head Linda W. Cropp, Del. Eleanor Holmes Norton, developer Herbert Miller, Mayor Williams, council member Charlene Drew Jarvis and developer John Akridge. Seventh and G streets NW, now the Gallery Place Metro site, in 1911. An artist's rendering of how the housing and retail complex will look.