



VINCENT C. GRAY
MAYOR

BY HAND

September 12, 2013

The Honorable Phil Mendelson
Chairman, Council of the District of Columbia
John A. Wilson Building
1350 Pennsylvania Avenue, NW, Suite 504
Washington, DC 20004

Dear Chairman Mendelson:

Today, I am vetoing Bill 20-62, the “Large Retailer Accountability Act of 2013.” Over the last several weeks and months, I have listened closely to hundreds of individuals and groups on both sides of the issue and have heard many arguments for and against the bill. I recognize that reasonable people passionately support this legislation. And I strongly believe that all District residents should earn a living wage. However, after careful consideration, I have concluded that the bill, while well-intentioned, is flawed and will fail to achieve its intended goals.

Over the last two and half years, my Administration has worked tirelessly to create jobs, help our residents obtain employment, and escape poverty. It is because of these very commitments, in fact, that I feel compelled to veto the bill – because it will not improve employment opportunities or wages for the vast majority of our workforce. To the contrary, it would result in significant harm to the residents and areas of the District most in need of jobs, economic development, and new amenities.

In listening to the well-intentioned voices expressing support for the bill, I have repeatedly heard a number of fundamental misunderstandings about what the legislation would actually do and what its enactment into law would mean for District residents. Specifically:

1. **The bill is not a true living-wage bill**, because it would raise the minimum wage only for a small fraction of the District's workforce. It would apply only to a small number of employees employed by a small number of targeted employers. In addition – and for no discernible reason – the bill exempts large retailers with labor agreements from paying the same minimum wage as their competitors. Instead of these arbitrary and partial attempts at insisting on living wages for only certain workers and certain sectors, I propose that we raise the minimum wage for *all* District residents – regardless of who employs them, when their employer begins operating in the District, or whether or not their jobs are unionized.
2. **The bill is a job-killer**, because nearly every large retailer now considering opening a store in the District has indicated that they will not come here or expand here if this bill becomes law. The Deputy Mayor for Planning and Economic Development has estimated that, should the bill take effect, it will cause the loss of *more than 4,000 District jobs in just the first few years alone*. At a time when the District's economy is starting to feel the impact of federal budget cuts, when we are seeing significant public-sector job losses, when our once-falling unemployment rate has stalled well above the national average, and when Wards 5, 7, and 8 still have unemployment rates of 12%, 15%, and 22% respectively, the District cannot make a reasonable, responsible or moral case that we don't need the jobs these retailers would bring.
3. **The bill would affect far more retailers than many supporters think**. While often referred to as a Walmart bill, the bill applies to a far broader range of retailers – including ones that many of the bill's supporters would likely not object to. Other large retailers that would be affected by the bill include Target, Home Depot, Wegmans, Lowe's, Walgreens, Harris Teeter, AutoZone and Macy's. As I stated above, these retailers have indicated they either will not come to or will not expand in the District if this bill becomes law. In addition, many have said they will minimize the number of jobs they already have in the District, thus killing employment opportunities for our residents.
4. **The bill doesn't guarantee good-paying jobs for District residents**. Even if the bill did somehow end up creating a small number of higher-paying jobs, it does nothing to ensure that those jobs would actually be filled by District residents. Instead of creating higher-paying entry-level retail jobs for lower-skilled District residents, at best the bill will create a very small number of higher-paying jobs, many of which will go to higher-skilled Maryland and Virginia residents who will commute into the District. Meanwhile, I am convinced more retailers will open stores just outside the District's borders, where labor costs would be more than 40% cheaper for large, non-union retailers. This, of course, would exacerbate the longstanding problem the District has had with "retail leakage" – to the benefit of the surrounding jurisdictions rather than to our taxpayers. And inevitably some District residents will simply commute to Maryland or Virginia, as

they do now, to work at the same type of lower-wage jobs the bill seeks to prevent here in the District.

5. **This bill does nothing to help underserved parts of the District.** The bill will not preserve existing jobs with local retailers in many of the neighborhoods where large retailers plan to open stores, because very few retail jobs of any sort presently exist in these neighborhoods. For example, in a recent study of the economic impact of Walmart stores titled “A Progressive Success Story,” President Obama’s chief economic advisor noted the significant benefit large retailers bring to low-income communities by offering low prices. He then concluded: “[J]obs at Walmart are better than opportunities these workers would have had in the absence of Walmart, either other [low-skilled] jobs or unemployment.”

6. **The bill will deal a huge blow to economic development.** The bill will not modestly delay economic development in underserved District neighborhoods long deprived of jobs and retail amenities; it will kill economic development in these communities for a generation. Should this bill become law, it would have a chilling effect on economic development everywhere in our city by sending a clear message to retailers considering the District that they are not welcome here. More immediately, it would mean that long-stalled development projects like Skyland – a project already delayed for more than 20 years – would continue to be on hold indefinitely. Those who claim it would not be difficult simply to identify another anchor tenant to replace retailers considering withdrawing from the District are naïve regarding the significant difficulty associated with jump-starting such development projects and the ease with which they can fall apart. We see this each year at the International Council of Shopping Centers (ICSC) conference, where we engage in painstaking discussions to recruit more retail to the District. Citing Skyland again as an example, opportunities at that site were presented to potential retail tenants at the ICSC conference – and the District was turned down flatly by virtually every retailer, a number of them stating an interest in the city but noting a preference for other areas.

Some have suggested that my decision to veto this bill would represent caving to bullying by large retailers. Nothing could be further from the truth. Anyone who knows my history knows I don’t back down from bullies; I stand up for what is right. In vetoing this bill, I stand up for unemployed District residents who need a job and an employment history; I stand up for the vast majority of District residents who have weighed in on the issue, urging me to veto this well-intentioned but misguided bill; and I stand up for the interests of the residents of the District of Columbia – especially those currently without adequate or any retail in their communities.

I look forward to putting this debate behind us and working with the Council to do what President Obama proposed earlier this year and what several states and municipalities have recently done: pass a reasonable increase to the District’s minimum wage for *all* workers.

Meanwhile, we must remain firmly focused on my Administration's top priority of growing and diversifying the District's economy in order to create new good-paying jobs and to better educate and prepare our residents to obtain them. If I were to sign this bill into law, it would do nothing but hinder our ability to create jobs, drive away retailers, and set us back on the path to prosperity for all.

Sincerely,

A handwritten signature in black ink that reads "Vincent C. Gray". The signature is written in a cursive style with a large, stylized "V" and "G".

Vincent C. Gray

cc: Members of the Council of the District of Columbia