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Disney Walks Away From Millions in Economic Incentives.

Is one of corporate America's savviest companies reconsidering its reliance on subsidies, or is it seeking to avoid further regulation?

Earlier this month, the Walt Disney Company presented the city of Anaheim with a surprising request: It asked the California city to terminate two agreements that provide Disney with hundreds of millions of dollars in economic assistance.

The request comes as Disney's relationship with Anaheim has grown increasingly strained in recent years. Critics, led by Anaheim Mayor Tom Tait, a libertarian-leaning Republican businessman who was elected in 2010, have criticized the city for agreeing to a 45-year moratorium on a gate tax and a $267 million economic assistance package for a new luxury hotel in the Downtown Disney District. Tait has argued that the money should instead be used to shore up the city's bottom line.

In a letter to the mayor and city council, Disneyland Resort President Josh D'Amaro acknowledged "an unprecedented and counterproductive" level of animus between the company and the city that has hosted Disneyland since the theme park first opened in 1955. As a result, wrote D'Amaro, Disney had decided to ask the Anaheim "to join us in terminating" the two agreements at the center of the controversy.

On Tuesday, the Anaheim City Council acted on this request. It voted unanimously to revoke the two agreements. Tait described the vote as one that would boost city finances and serve as an example for other corporations to follow. "I think this type of move is bold, and I think it's an example for other corporations out there," he says. "Maybe there is a realization that long-term, it's in their best interest that they are in a healthy vibrant community. I think there is a chance here that Disney could be a trendsetter."

But not everyone is applauding the move. Some saw another reason for the company's change of heart — a ballot initiative that will go before Anaheim voters in November. Unions representing Disneyland workers championed the ballot initiative, which, if it passes, will raise the minimum wage for businesses that accept economic assistance from the city to $15-an-hour and then increase it by another dollar per year until 2022, after which workers would receive a yearly cost-of-living adjustment.

Disney has insisted that their decision to terminate the two economic assistance packages was not an effort to sidestep the new ballot initiative. Yet that is precisely what critics of the company such as Vermont Sen. Bernie Sanders, who recently joined Disneyland workers to push for the measure, have accused it of doing. "Disney is so nervous that the living wage ballot initiative in Anaheim is going to pass," Sanders told The Guardian, "it would rather end some of the corporate welfare it receives from local taxpayers than pay all 30,000 of its workers' decent wages."

Ada Briceño, co-president of UNITE HERE, which represents 3,000 Disneyland employees and is currently in the middle of contract negotiations, insists the fight is not over. "Subsidies or no subsidies," she says, "we are adamant that Disney has to give its workers a dignified way of life."

Greg LeRoy, who heads Good Jobs First, an organization that monitors corporate subsidies and has been critical of economic assistance packages, says companies such as Disney that employ large numbers of low-wage workers have historically gone to great lengths to avoid regulations that would require them to raise wages. “It would not be unusual for Disney to withdraw from a tax break package because of the wage standards,” he says. “[They] don’t want anyone telling them what to pay. They don’t want to set the precedent.”

As for Tait’s hope that Disney’s change of heart could set a precedent for corporate America’s dealings with other cities, LeRoy is skeptical. He says there has been a reduction in the number of economic assistance packages approved by state and local governments over the past 10 years. However, it’s not because corporations are asking for less, or that states and localities are taking a harder line. It’s because there are fewer deals to be had overall.

What is on the rise is extremely expensive “mega-deals,” such as Wisconsin’s $4.7 billion assistance package to Foxconn or the current competition for Amazon’s second headquarters. LeRoy sees the intense pursuit of mega-deals as another sign of what some economists have described as the winner-take-all economy. “Even at a time when unemployment is really low,” he says, “state and local governments appear desperate to spend to get jobs.”

As for Disney, it seems to view its decision to terminate its two most recent agreements with Anaheim as a one-off decision. In a statement released to Governing after the city council vote on Tuesday, Disney spokeswoman Liz Jaeger defended the practice of negotiating economic assistance packages. “These tax incentive policies, which are successfully and widely used across the country to stimulate economic growth and development,” she says, “unfortunately became counterproductive in Anaheim, prompting our decision to step away from them.”

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