

1 [Administrative Code – Local Hire and Prevailing Wages for Construction Projects on City-
2 Owned Property]

3 **Ordinance amending the Administrative Code to provide that the City’s Local Hiring**
4 **Policy and Payment of Prevailing Wages apply to construction projects on property**
5 **owned by the City and County of San Francisco.**

6 NOTE: **Unchanged Code text and uncodified text** are in plain Arial font.
7 **Additions to Codes** are in *single-underline italics Times New Roman font*.
8 **Deletions to Codes** are in *strikethrough italics Times New Roman font*.
9 **Board amendment additions** are in double-underlined Arial font.
10 **Board amendment deletions** are in ~~strikethrough Arial font~~.
11 **Asterisks (* * * *)** indicate the omission of unchanged Code
12 subsections or parts of tables.

13 Be it ordained by the People of the City and County of San Francisco:

14 Section 1. The Administrative Code is hereby amended by revising Section 6.22(G), to
15 read as follows:

16 **SEC. 6.22. PUBLIC WORK CONSTRUCTION CONTRACT TERMS AND WORKING**
17 **CONDITIONS.**

18 * * * *

19 (G) **Short Title.** This subsection 6.22(G) shall be known as and may be cited as the
20 San Francisco Local Hiring Policy for Construction ("Policy").

21 (1) **Findings and Purpose.**

22 (a) The Board of Supervisors passed Ordinance 286-94 on August 4, 1994, to establish
23 local hiring requirements for City public work or improvement projects performed within the
24 boundaries of the City.

25 (b) In 2010, the San Francisco Redevelopment Agency and the City's Office of
Economic and Workforce Development commissioned a study of the labor market in the
construction industry in San Francisco (the "Labor Market Analysis"), including review of

1 comparative demographic data regarding workers on public and private projects, scope of
2 past and future public and private construction work in San Francisco, comparative
3 compensation on public and private projects, demographic data regarding apprenticeship
4 programs operating in San Francisco, and income and residency data regarding construction
5 workers in San Francisco.

6 (c) In 2010, the Walter and Elise Haas Fund and the San Francisco Foundation, with
7 assistance of the City's Office of Economic and Workforce Development, convened a local
8 hiring stakeholder process to discuss possible revision of subsection 6.22(G), at which
9 community, labor, contractor, and City stakeholders participated.

10 (d) In August 2010, a report from Chinese for Affirmative Action and Brightline Defense
11 Project entitled, "The Failure of Good Faith," found that the City has historically failed to meet
12 its local hiring goals.

13 (e) The Budget & Finance and Land Use & Economic Development Committees of the
14 Board of Supervisors held public hearings regarding local hiring and proposed revisions to
15 subsection 6.22(G).

16 (f) The San Francisco Public Utilities Commission, Redevelopment Agency, Human
17 Rights Commission, and other City departments and agencies held public hearings regarding
18 local hiring.

19 (g) The construction industry is one of the few industries providing a path to middle-
20 class careers for individuals without advanced degrees or facing barriers to quality
21 employment, and is therefore a crucial component of the effort to build economic opportunities
22 for targeted residents of San Francisco, with a particular emphasis on low-income and
23 underrepresented workers in various building and construction trades, in order to elevate
24 historically disadvantaged populations and create more sustainable communities throughout
25 San Francisco.

1 (h) The City has awarded more than \$8 billion in public work and improvement
2 contracts during the last 10 years.

3 (i) The City anticipates that it will award approximately \$27 billion in public work and
4 improvement contracts in the next 10 years.

5 (j) City spending on public work and improvement projects over the next 10 years will
6 generate tens of thousands of construction work hours.

7 (k) The Board desires to ensure that employment and training opportunities created by
8 such public work and improvement projects provide consistent and high-quality opportunities
9 to the San Francisco labor pool, especially low-income residents of San Francisco and other
10 disadvantaged residents.

11 (l) Although approximately 40% of construction workers employed in San Francisco are
12 San Francisco residents, from 2002 to 2010 San Francisco residents worked only
13 approximately 24% of the work-hours on publicly-funded construction projects in the City, and
14 only 20% of work-hours since July 2009.

15 (m) The City faces unemployment levels that have risen dramatically over the past four
16 years, climbing from a low of 3.7% in December 2006 to an average of 9.8% for each month
17 of 2010 through July, leaving at least 44,500 San Franciscans out of work according to the
18 California Employment Development Department, with disproportionate concentrations of high
19 unemployment in neighborhoods such as Bayview-Hunters Point, Chinatown, the Mission,
20 Western Addition, Visitacion Valley, the Excelsior, South of Market, Ocean View, Merced
21 Heights and Ingleside.

22 (n) The 2010-2014 Consolidated Plan for the City and County of San Francisco
23 indicates that several San Francisco neighborhoods face concentrated poverty and San
24 Francisco's slow job growth rate and changing job base has had major impacts on patterns of
25

1 income inequality and disparity in the City, with distinctive, adverse, neighborhood-specific
2 effects.

3 (o) The loss of middle-income jobs has been associated with a diminishing middle
4 class in San Francisco, as indicated by rising income inequality. San Francisco's unequal
5 income distribution threatens the City's future competitiveness and overall economic stability,
6 and the City's anti-poverty strategy aims to ensure that the City and its partners are
7 marshaling its limited resources in an effective and coordinated way to create economic
8 opportunities in San Francisco's low-income communities.

9 (p) The City has made substantial public investments in its workforce development
10 system, including CityBuild and the City's community-based partners, to create job
11 opportunities in industries such as construction, which are vital to the economic health of the
12 local economy, have a capacity to generate a significant number of jobs, are accessible to
13 low- and middle-skilled individuals, have career ladder opportunities where workers can move
14 up with additional training and skill development, and provide access to living wage and
15 family-sustaining jobs.

16 (q) City-funded construction projects provide a crucial opportunity to connect
17 participants in these City-funded or City-operated workforce development programs with
18 employment and training opportunities, and to direct employment and training opportunities
19 created by the City's public expenditures.

20 (r) The City and the San Francisco Redevelopment Agency have made substantial
21 public investments toward creating and facilitating growth in economic opportunities for
22 low-income individuals and neighborhoods in San Francisco.

23 (s) CityBuild, San Francisco's construction training workforce program, was initiated in
24 2005 to serve as a training vehicle for ushering disadvantaged workers into the construction
25 skilled trades. The program is a multi-craft pre-apprenticeship training program, and has

1 assisted over 450 graduates, into union-sponsored apprentice programs. CityBuild, in
2 2009-2010, contributed approximately 44 percent of all new San Francisco resident
3 apprentice intakes based on data provided by the California Department of Industrial
4 Relations, Division of Apprenticeship Standards. San Francisco's workforce construction
5 training infrastructure has the capacity to meet future demand for high quality and well trained
6 workers in the construction trades.

7 (t) Employment of workers that reside close to job sites has environmental benefits,
8 including reducing the distance of commutes and resulting vehicle emissions. These
9 environmental benefits are consistent with the mandates, policies and goals of the California
10 Global Warming Solutions Act (AB 32), the Sustainable Communities and Climate Protection
11 Act (SB 375), and the Climate Action Plan for San Francisco.

12 (u) The Board seeks terms and conditions that advance the City's workforce and
13 community development goals, removing obstacles that may have historically limited the full
14 employment of local residents on the wide array of opportunities created by public works
15 projects, curbing spiraling unemployment, population decline, and reduction in the number of
16 local businesses located in the City, eroding property values and depleting San Francisco's
17 tax base.

18 (v) A local hiring policy is necessary to counteract these grave economic and social ills.

19 (w) The San Francisco Local Hiring Policy for Construction 2012-2013 Annual Report shows
20 that the Policy has proven to be a highly effective tool in guaranteeing good-paying jobs for Local
21 Residents on Covered Projects, which includes public works construction projects completed under city
22 contracts.

23 (x) The 2012-2013 Annual Report is evidence that a true partnership between the City,
24 CityBuild and its community-based partners, contractors, labor organizations, and state-certified
25

1 apprenticeship programs has increased local hiring on projects covered by the Policy by an average of
2 35% as of 2013. This compares to an average of 20% under the "good faith efforts" policy it replaced.

3 (y) The City has a proprietary interest in the construction contracts it issues, and also has a
4 proprietary interest in the leases and development agreements that it enters that all allow for
5 construction on city-owned property.

6 (z) Expanding the Policy to include construction projects on city-owned property promotes an
7 equitable share of job opportunities for San Francisco residents to pursue a career in construction; and
8 provides the opportunity for the use of state-certified apprenticeships that expands the local
9 construction workforce pipeline to support the continued success of local hiring on public works
10 projects.

11 * * * *

12 **(3) Coverage.**

13 **(a) Threshold for Public Work and Improvement Projects and Projects Constructed**
14 **On Property Owned by the City.** *For purposes of subsection 6.22(G) only, this ~~This~~ Policy applies to*
15 *(i) contracts issued by the City with prime contractors for public works or improvements*
16 *estimated to cost in excess of the Threshold Amount set forth in Section 6.1 of this Chapter,*
17 *as that amount may be amended and/or (ii) to all construction projects on property owned by the*
18 *City that are estimated to cost in excess of the Threshold Amount set forth in Section 6.1 of this*
19 *Chapter, as that amount may be amended, including construction contracts that are issued by an entity*
20 *or individual other than the City. All grant agreements, leases, development agreements and other*
21 *contracts that the City enters that allow for such construction projects on property owned by the City*
22 *must contain a provision that such construction shall comply with this Policy.*

23 **(b) Projects Constructed Outside the City.** Covered ~~City projects~~ Projects constructed
24 within 70 miles from the jurisdictional boundary of the City and County of San Francisco shall
25 be governed by the terms of this Policy, except that percentage requirements shall apply in

1 proportion to the City's actual cost after reimbursement from non-City sources compared to
2 the total cost of the project. Covered City projects constructed 70 miles or more beyond the
3 jurisdictional boundary of the City and County of San Francisco shall be subject to this Policy,
4 except the "local" requirement shall include San Francisco residents, workers local to the area
5 where the work is located, and workers residing within the region where the work is located.
6 Awarding departments shall work with OEWD and regional local hiring programs to comply.

7 **(c) Projects Utilizing Federal or State Funds.**

8 **(i) Segregation of Funds and Contract Awards.** Where the application of this Policy
9 would violate federal or state law, or would be inconsistent with the terms or conditions of a
10 grant or a contract with an agency of the United States or the State of California, the City
11 department or agency receiving the grant or contract shall, where administratively feasible,
12 segregate federal or state funds from City funds, and/or segregate project administration and
13 contracts, so as to maximize application of this Policy to City-funded construction work.

14 **(ii) Alternative Terms in Case of Conflict.** Where the provisions of this Policy would
15 be prohibited by Federal or State law, or where the application of this Policy would violate or
16 be inconsistent with the terms or conditions of a grant or a contract with an agency of the
17 United States or the State of California, and where segregation of funds pursuant to
18 subsection 6.22(G)(3)(c)(i) is not administratively feasible with regard to some or all of the
19 project in question, then OEWD, in consultation with the awarding department, shall adapt
20 requirements of this Policy into a set of contract provisions that advance the purposes of this
21 Policy to the maximum extent feasible without conflicting with federal or state law or with
22 terms or conditions of the State or Federal grant or contract in question. The awarding
23 department shall include this set of contract provisions in the public works or improvement
24 contract with regard to the project or portions of the project for which this Policy would conflict
25 with Federal or State requirements.

1 (d) **Out-of-State Workers.** Project work hours performed by residents of states other
2 than California shall not be considered in calculation of the number of project work hours to
3 which the local hiring requirements apply. Contractors and subcontractors shall report to
4 awarding departments and OEWD the number of project work hours performed by residents
5 of states other than California.

6 * * * *

7 (8) **Miscellaneous**

8 * * * *

9 (d) **Effective Date, Operative Date, and Prospective Application.** This Policy shall become
10 effective upon the date of its enactment and shall apply to covered projects first advertised for
11 bids by awarding departments more than sixty (60) days after such date. The amendment to the
12 Policy in subsection 6.22(G)(3)(a)(ii) shall become operative sixty (60) days after the effective date
13 of the ordinance enacting the amendment. The amendment in subsection 6.22(G)(3)(a)(ii) to include
14 construction projects on property owned by the City is intended to have prospective effect only,
15 and shall not be interpreted to impair the obligations of any pre-existing grant agreement, lease,
16 development agreement or other contract entered into by the City. Notwithstanding the prior sentence,
17 the amendment in subsection 6.22(G)(3)(a)(ii) to the Policy shall apply to newly included work in
18 pre-existing grant agreements, leases, development agreements, or other contracts amended on or after
19 the operative date. The amendment in subsection 6.22(G)(3)(a)(ii) to include construction
20 projects on property owned by the City shall apply grant agreements, leases, development
21 agreements and other contracts entered into by the City on or after the operative date.

22 * * * *

23 Section 2. The Administrative Code is hereby amended by revising Section 6.22(E),
24 to read as follows:

1 **SEC. 6.22. PUBLIC WORK CONSTRUCTION CONTRACT TERMS AND WORKING**
2 **CONDITIONS.**

3 * * * *

4 **(E) Prevailing Wages.**

5 (1) **Generally.** All contractors and subcontractors performing a public work or
6 improvement for the City and County of San Francisco shall pay its workers on such projects
7 the prevailing rate of wages as provided below. For the purpose of prevailing wage
8 requirements only, the definition of a public work shall include those public works or
9 improvements defined in the foregoing section 6.1 of this Chapter and shall also include (a)
10 any trade work performed at any stage of construction (including preconstruction work) and
11 (b) any public work paid for by the City and County of San Francisco with "the equivalent of
12 money" under the meaning of Labor Code section 1720(b).

13 (2) **Additional Projects Included Within Definition of "Public Work or Improvement" for**
14 **Purposes of Prevailing Wages.**

15 ~~(2) (a) Leased Property Leased By the City~~Included. For the limited purposes of this
16 subsection 6.22(E), a "public work or improvement" also means and includes any construction
17 work done under private contract when all of the following conditions exist:

18 ~~(a) (i)~~ (i) The construction contract is between private persons; and

19 ~~(b) (ii)~~ (ii) The property subject to the construction contract is privately owned, but upon
20 completion of the construction work will be leased to the City and County of San Francisco for
21 its use; and

22 ~~(c) (iii)~~ (iii) Either of the following conditions exist: (1) The lease agreement between the
23 lessor and the City and County of San Francisco, as lessee, is entered into prior to the
24 construction contract, or (2) The construction work is performed according to the plans,
25 specifications, or criteria furnished by the City and County of San Francisco, and the lease

1 agreement between the lessor and the City and County of San Francisco as lessee, is
2 entered into during, or upon completion, of the construction work.

3 (b) Public Works Under California Labor Code For the limited purposes of this
4 subsection 6.22(E), a "public work or improvement" also means and includes all projects for which
5 prevailing wages are required to be paid on "public works" pursuant to California Labor Code
6 section 1782. any construction work on property owned by the City that is estimated to cost in
7 excess of the Threshold Amount set forth in Section 6.1 of this Chapter, as that amount may
8 be amended, including construction contracts that are issued by an entity or individual other
9 than the City. This subsection 6.22(E)(2)(b) is intended to have prospective effect only, and shall not
10 be interpreted to impair the obligations of any pre-existing grant agreement, lease, development
11 agreement or other contract entered into by the City. Notwithstanding the prior sentence, this
12 subsection shall apply to newly included work in pre-existing grant agreements, leases, development
13 agreements, or other contracts amended on or after the operative date. The subsection shall apply to
14 grant agreements, leases, development agreements and other contracts entered into by the City on or
15 after the operative date. All grant agreements, leases, development agreements and other contracts
16 which allow for such construction on property owned by the City that the City enters after the operative
17 date of the subsection must contain a provision that such construction shall comply with this
18 subsection.

19 * * * *

20 Section 3. **Effective Date and Operative Date.** This ordinance shall become effective
21 30 days after enactment. Enactment occurs when the Mayor signs the ordinance, the Mayor
22 returns the ordinance unsigned or does not sign the ordinance within ten days of receiving it,
23 or the Board of Supervisors overrides the Mayor’s veto of the ordinance. Section 1 of this The
24 ordinance shall become operative sixty (60) days after the effective date. Section 2 of this
25

1 ordinance shall become operative on the compliance date listed in California Labor Code
2 section 1782 subsection (f).

3
4 Section 4. **Scope of Ordinance.** In enacting this ordinance, the Board of Supervisors
5 intends to amend only those words, phrases, paragraphs, subsections, sections, articles,
6 numbers, punctuation marks, charts, diagrams, or any other constituent parts of the Municipal
7 Code that are explicitly shown in this ordinance as additions, deletions, Board amendment
8 additions, and Board amendment deletions in accordance with the “Note” that appears under
9 the official title of the ordinance.

10 APPROVED AS TO FORM:
11 DENNIS J. HERRERA, City Attorney

12
13 By: _____
14 RONALD P. FLYNN
Deputy City Attorney

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