

## **LEGISLATIVE DIGEST**

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

**Ordinance amending the Administrative Code to provide that the City's Local Hiring Policy and Payment of Prevailing Wages apply to construction projects on property owned by the City.**

### **Existing Law**

#### **Local Hire**

The San Francisco Local Hire Policy for Construction ("Policy") was approved on December 23, 2010. The Policy requires that each City public works contract in excess of the Threshold Amount (currently \$400,000) issued by the City includes the requirement that the contractor hire local residents at a specific percentage of each trade (currently 30%) to the exclusion of other California residents. The Policy does not affect the ability of a contractor to hire non-California residents, even if the contractor ends up with a workforce consisting entirely of out-of-state workers.

#### **Prevailing Wages**

The San Francisco Prevailing Wage law requires that each public works contract issued by the City requires all contractors and subcontractors performing a public work or improvement for the City to pay its workers on the prevailing rate of wages. The San Francisco Prevailing Wage law applies to public works projects, as defined by our Administrative Code, trade work performed at any stage of construction (including preconstruction work), to construction paid for by the City with "the equivalent of money," and to certain projects on private property where the City leases the property with the intent to use the property for City purposes.

### **Amendments to Current Law**

#### **Local Hire**

As to Local Hire, the amendment would expand the class of construction projects ("Covered Projects") beyond those included in the current Policy (which is limited to construction contracts entered into by the City that are larger than the Threshold Amount). The definition of Covered Project would be expanded to include all construction projects on property owned by the City that are larger than the Threshold Amount, including construction contracts that are issued by an entity or individual other than the City.

All grants, agreements, leases, development agreements and other contracts entered into by the City that allow for construction projects that cost in excess of the Threshold Amount (currently \$400,000) on property owned by the City would be required to contain a provision that such construction comply with the Policy, and hire the specified percentage of local residents.

The amendment would apply only to construction projects to be done under new grants, agreements, leases, development deals and other contracts. It would not apply to existing grants, agreements, leases, development deals and other contracts, unless those agreements are amended on or after the amendment becomes operative. Accordingly, construction that takes place in the future under existing grants, agreements, leases, development deals and other contracts would not be required to comply with the Policy.

### **Prevailing Wages**

As to Prevailing Wages, the amendment would expand the requirement for payment of prevailing wages to include construction that take place on property owned by the City for projects that cost in excess of the Threshold Amount. The amendment would be prospective only.

### Background Information

The Local Policy currently applies only to contracts that are issued by the City. As to those contracts, The San Francisco Local Hiring Policy for Construction 2012-2013 Annual Report shows that the Policy has proven to be a highly effective tool in guaranteeing good-paying jobs for Local Residents on Covered Projects, which includes public works construction projects completed under city contracts.

The 2012-2013 Report is evidence that a true partnership between the City, CityBuild and its community-based partners, contractors, labor organizations, and state-certified apprenticeship programs has increased local hiring on projects covered by the Policy by an average of 35% as of 2013. This compares to an average of 20% under the "good faith efforts" policy it replaced.

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

The amendment would expand the category of construction projects, that cost in excess of the Threshold Amount, to include the construction that takes place on city-owned property where

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the City authorizes that construction under a grant agreement, lease, development agreement, or other contract.

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

Similarly, projects that are in excess of the Threshold Amount that take place on property owned by the City would require the payment of prevailing wages to promote the payment of a living wage in the construction field.

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