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Prevailing Wage and Skilled and Trained Workforce Cost/Benefit Analysis

Prepared for the City of Burbank

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Table of Contents

ACKNOWLEDGMENTS	I
EXECUTIVE SUMMARY	I
Workforce Program Concepts and Definitions	ii
Summary of Findings and Next Steps.....	iv
INTRODUCTION	1
Purpose.....	1
Approach.....	2
OVERVIEW OF VARIOUS WORKFORCE POLICIES, PROGRAMS AND TERMS USED IN THE REPORT	3
Prevailing Wage.....	3
Skilled and Trained Workforce (STW)	4
Apprenticeships.....	4
Local Hire.....	4
COST ANALYSIS	5
Cost Differentials.....	5
Construction Typologies.....	8
Construction Cost Impact Findings	9
REPORT OUTCOMES AND NEXT STEPS	10
Report Outcomes	11
Next Steps: How to Use the Findings of this Report	11
APPENDIX A: COMMON IMPLEMENTATION MECHANISMS	14
State Laws Applicable to Privately Funded Projects	14
Local Laws Applicable to Privately Funded Projects	18
State Laws Applicable to Publicly Funded Projects.....	19
Local Laws Applicable to Publicly Funded Projects.....	23
Project Labor Agreements (PLAs) and Community Workforce Agreements (CWAs)	24
APPENDIX B: SURVEYED CITY POLICIES AND INTERVIEWS	26
City Interviews and Policies	26

Insights and Lessons	42
APPENDIX C: STAKEHOLDER INTERVIEWS.....	45
Roundtable Summary	45
Development Community Interviews	45
Union Representative Interviews	47
APPENDIX D: LITERATURE REVIEW.....	48
Prevailing Wage and Skilled Trained Workforce Policies/Programs.....	48
Apprenticeships.....	53
Local Hire Policies	53
APPENDIX E: CONSTRUCTION COST MODELS.....	55
Construction Cost Assumptions	55
APPENDIX F: LITERATURE REVIEW BIBLIOGRAPHY	60

List of Tables

Table 1: Summary of Workforce Policy Implementation Strategies	iv
Table 2: Literature Review Workforce Program Cost Estimates	5
Table 3: Apprenticeship Costs	7
Table 4: Cost Differential Construction Typologies.....	8
Table 5: Summary Construction Cost Differential Findings, by Program by Construction Typology	10
Table 6: Summary of City Workforce Policies/Programs.....	27
Table 7: Prevailing Wage and/or Project Labor Agreement Cost Differentials.....	49
Table 8: Construction Cost Ratios	50
Table 9: Construction Family Annual Social Safety Net Usage, 2015-2019 Sample.....	52

List of Figures

Figure 1: Map of AB 2011 Eligibility for 100% Affordable Projects.....	16
Figure 2: Map of AB 2011 Eligibility for Mixed-Income Projects.....	17

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EXECUTIVE SUMMARY

The City of Burbank’s 2021-2029 Housing Element was adopted on September 27, 2022, and certified by the State of California Housing and Community Development Department (HCD) on October 7, 2022. The adopted 2021-2029 Housing Element sets forth 27 “Housing Programs” to address the community’s identified housing needs and implement the City’s housing-related goals and objectives.

Housing Element Programs ten (10) and eleven (11) require the City to update the existing Inclusionary Housing Ordinance and Density Bonus Ordinance. The purpose of the update is to incentivize affordable housing production and consider different options for fulfilling the City’s inclusionary housing requirements to comply with the unmet need for housing under the State’s Regional Housing Need Assessment (RHNA) requirements. These Programs also call for the City to evaluate the potential impacts and benefits of the implementation of prevailing wage, local hire, skilled and trained workforce, and apprenticeship policies on new housing development as part of the updates to the Inclusionary Housing Ordinance and Density Bonus Ordinance, respectively. Therefore, this report aims to provide the City with information to consider as part of the efforts to update the aforementioned Ordinances. For the purposes of this report, these policies are collectively referred to as “workforce policies/programs” and are defined in further detail below.

BAE Urban Economics (“BAE”), who have expertise in the field of affordable and workforce housing, were tasked by the City to assist in preparing a report that includes contextual background information on these workforce policies/programs, and an analysis of potential impacts and benefits in implementing such workforce policies/programs on private housing development projects. The contextual background information is inclusive of literature review, information collected from peer cities, and interviews with stakeholders. The included cost analysis explores a range of different housing construction typologies to evaluate the cost differentials associated with these workforce policy scenarios.

It is also important to note that, consistent with the goals of Housing Element Programs 10 and 11, this report is only intended to be for informational purposes. The report does not provide specific recommendations regarding the implementation of mandatory or voluntary workforce policies and programs.

The following workforce program concepts and definitions are discussed as they are referenced in all parts of this report.

Workforce Program Concepts and Definitions

Workforce Policies/Programs: Private Construction Projects vs. Public Construction Projects

Historically, labor requirements and workforce policies/programs have not applied to privately funded housing construction projects. While there are several examples across the state, information on their impact is limited. Therefore, the report mainly examines existing policy tools and case studies that have been applied to publicly funded construction projects in California. Through this research, there are lessons can be drawn from existing workforce policies/programs in other jurisdictions. The report identified that there are only a handful of cities in California, including Berkeley, Pasadena, Hayward, San Francisco, and Santa Ana, that have implemented workforce policies/programs for privately funded projects.

Role of the “Developer Return” in Housing Production

Developer returns represent the minimum profit required for a developer to undertake a project. Any changes to costs, including those resulting from workforce policies/programs, will impact the developer’s return. If the developer return drops below a minimum threshold, which varies by developer, the developer will not undertake a project. If the local housing market in one city becomes less feasible to develop because of city policies, the developer may choose to develop in a different city if their minimum return threshold is not met. As such, any new policy being considered should aim to strike a balance between maximizing public benefits without impeding new private development in general and housing production in particular.

Summary of Workforce Policy/Program Concepts

The report’s analysis is structured around the following “workforce policy/program” concepts:

Prevailing Wage

The minimum payment requirements for certain laborers working on specified construction jobs, particularly on public works projects funded either partially or entirely with public funds. It ensures that workers in specific crafts or classifications receive a basic hourly rate, set by government institutions, that reflects the local labor market conditions and typically involves additional requirements such as apprenticeships to ensure fair compensation and labor standards compliance. In limited scenarios, prevailing wages may be required for privately funded projects submitted under Streamlined Ministerial Approval Process under state law.

Skilled and Trained Workforce (“STW”)

A workforce that meets specific criteria, including a minimum threshold of labor hours worked by graduates of state-approved training programs and apprentices. STW requirements, which apply to a variety of projects set by state statues, may be separate from Prevailing Wage laws, but they often involve union labor, with wages effectively similar to the Prevailing Wage.

Apprenticeships

Structured training programs required in public works projects that employ apprentices who receive hands-on experience and formal instruction in specific trades. These programs are typically sponsored by labor organizations and must be registered with the Department of Industrial Relations Division of Apprenticeship Standards (DAS). Some California jurisdictions enforce tailored apprenticeship and Local Hire requirements, commonly known as targeted hire policies, aimed at boosting local resident and school participation through Community Workforce Agreements (CWA) or Project Labor Agreements (PLA). Apprenticeships are often concurrently required with Prevailing Wage requirements. Apprenticeship programs often result in a reduction of project costs due to lower wages paid to apprentices.

Local Hire

A policy that promotes employment opportunities for residents living within a defined geographic area, which may include city limits, county boundaries, or a specific radius around a locality. These policies are typically implemented through local legislative actions or pre-hire agreements like PLAs/CWAs. They establish targets for the number of hours construction projects should be worked on by local residents. These targets often prioritize disadvantaged workers and are enforced by designated agencies.

A more detailed discussion on the workforce policies and programs defined above can be found in a subsequent section of this report entitled “Overview of Various Workforce Policies, Programs and Terms Used in the Report.”

Relationships Between Policy Concepts

It is important to note that the above concepts (Prevailing Wage, STW, Apprenticeships, and Local Hire) are generally considered “workforce policies/programs.” These workforce policies/programs can be implemented in a wide variety of ways. Most often they are required for publicly funded projects; however, in some cities they are required for certain types of privately funded projects. A detailed discussion on common implementation can be found in Appendix A of this Report.

One example of a common implementation strategy is a Project Labor Agreement (PLA) / Community Workforce Agreement (CWA) (PLA and CWA are synonymous terms for the purposes of this Report). PLAs/CWAs are agreements, which can require or incentivize any or all the abovementioned workforce policies/programs. These are pre-hire collective bargaining agreements between labor organizations and state awarding authorities that govern

Executive Summary

employment conditions for public work contracts and ensure a certain degree of union labor on covered projects. PLAs/CWAs encompass specific provisions mainly for public works or publicly funded projects, ensuring non-discrimination against contractors based on union status and promoting apprentice participation. They are generally not required for private projects. As a part of the agreement, cities will sometimes set Local Hire requirements or establish training partnerships with local organizations.

However, PLAs and CWAs are not the only tools that can be used to implement the workforce policies/programs. Such workforce policies/programs can also be implemented through state statutes, local policies, and development agreements. Table 1 below illustrates how each workforce policy/program can potentially be combined to provide implementation flexibility.

Table 1: Summary of Workforce Policy Implementation Strategies

<u>Policy</u>	<u>Possible Implementation Strategy?</u>			
	<u>PLA/CWA</u>	<u>State Statute</u>	<u>Local Policy</u>	<u>Development Agreement</u>
Prevailing Wage	Yes	Yes	Yes	Yes
STW	Yes	Yes	Yes	Yes
Apprenticeships	Yes	Yes	Yes	Yes
Local Hire	Yes	Yes	Yes	Yes

Source: BAE, 2023

Summary of Findings and Next Steps

Summary of Findings

Workforce policies/programs increase the cost of construction, creating a tradeoff between housing production and labor-related goals, such as training new workers or ensuring living wages. The report's findings are summarized below. They are based on the conducted literature review, interviews with developers and labor stakeholders, and the associated Cost Analysis included in this report.

- It is estimated that workforce policies/programs increase construction costs by up to the following percentages above the baseline cost of development:
 - Prevailing Wage or STW requirements, with direct impacts on wages, will increase project hard costs¹ by 19.5 percent, which translates into a 16.1 percent increase in total construction costs.

¹ Hard Costs are directly related to construction and include construction labor, construction materials, furniture, appliances, and contractors related to the building of site improvements, buildings, and parking. Hard costs tend to be tangible. Hard costs plus soft costs equal Total Construction Costs.

Executive Summary

- Apprenticeship requirements will increase project hard costs by 16.6 percent, and total project costs by 14.1 percent. Apprenticeship programs are usually offered as part of STW contracts, where the STW provide on the job training to new workers. Labor costs for the apprentices are offered to the developer at a reduced rate to reflect a lower skill level, which decreases the STW cost impact from 16.4 percent of total costs to 14.1 percent of total construction costs. These costs are not additive to STW costs.
- Local Hire requirements have the lowest cost impact, and will increase project soft costs by 2.0 percent, and total project costs by 1.6 percent. This cost increase reflects hiring delays.
- An in-depth discussion on the cost differentials can be found in the Construction Cost Analysis chapter of the report.
- Apprenticeship requirements have a significant cost impact similar to Prevailing Wage or STW requirements because apprentice wages are typically set through labor union agreements and require the instruction, oversight, and ongoing support from skilled, usually union-affiliated, construction laborers.
- The report analyzed workforce-related cost impacts on four (4) residential development construction types of varying densities and typologies within the City of Burbank: a 36 dwelling units per acre development; a residential project with less than 20 units; a 62 dwelling units per acre density project; and an 87 dwelling units per acre density project. More information regarding the construction types and associated cost tables can be found in Appendix E: Construction Cost Models. These analyzed construction typologies of housing development represent housing development that the City of Burbank could see in the future. The cost impacts between the base scenario, the Prevailing Wage/STW scenario, the Apprenticeship scenario, and the Local Hire scenario are summarized below:
 - **The 36-dwelling units/acre**, with an initial cost of \$947k per unit, saw costs increase by: 16 percent under the Prevailing Wage/STW scenario to \$1.10 million per unit; 14 percent to \$1.08 million per unit under the Apprenticeship scenario; and two (2) percent to \$963k per unit under the Local Hire scenario.
 - **The under 20 units construction type**, with an initial cost of \$591k per unit, saw costs increase by: 16 percent in the Prevailing Wage/STW scenario to \$687k per unit; 14 percent to \$673k per unit under the Apprenticeship scenario; and two (2) percent to \$601k per unit under the Local Hire scenario.

Executive Summary

- **The 62-dwelling units/acre typology**, with an initial cost of \$685k per unit, saw costs increase by: 15 percent in the Prevailing Wage/STW scenario to \$787k per unit; 14 percent to \$783k per unit under the Apprenticeship scenario; and one (1) percent to \$695k per unit under the Local Hire scenario.
- **The 87-dwelling units/acre typology**, with an initial cost of \$636k per unit, saw costs increase by: 17 percent under the Prevailing Wage/STW scenario to \$743k per unit; 14 percent to \$727k per unit under the Apprenticeship scenario; and one (1) percent to \$645k per unit under the Local Hire scenario.
- Certain workforce programs are already required by State law for specified streamlined ministerial housing development projects. Examples include state statutes approved through SB 35 and SB 423 or AB 2011 (see Appendix A: Common Implementation Mechanisms for policy information), where certain qualified housing projects could be subject to prevailing wage and workforce training requirements. These existing State laws do not preclude the City from including a workforce requirement for housing development. These housing statutes provide examples of private housing developments being subject to prevailing wage and workforce training requirements.
- Currently, only a handful of cities in California, including Berkeley, Pasadena, Hayward, Santa Ana, and San Francisco, have adopted workforce policies/programs that apply to private housing construction projects. An in-depth review of city policies can be found in Appendix B: Surveyed City Policies and Interviews. A summary of the workforce policies/programs is noted below.
 - Berkeley's Hard Hats ordinance, adopted in September 2023, requires contractors on construction projects of 50,000 square feet or more to comply with an Apprenticeship requirement whereby the contractor either participates in an approved apprentice program or contributes to the California Apprenticeship Council (CAC) training fund, along with a requirement to provide adequate healthcare insurance for workers.
 - Pasadena's First Source Local Hiring program, adopted in 2004, requires public works projects to prioritize the hiring of local residents and incentivizes developers to hire Pasadena residents. While the program is mandatory for public works, it is voluntary for private development. Under the voluntary program, if developers provide payroll documentation proving the number of project hours worked on by residents, a portion of Pasadena's city construction tax will be rebated. Since the program was first created, one housing project has successfully complied and received the rebate.

Executive Summary

- Hayward’s Downtown Specific Plan, approved in 2019, sets a requirement for contractor prequalifications for projects of 30,000 square feet or larger to ensure compliance with apprenticeship and health care policies, which includes utilizing state-approved training programs, and offering employees health insurance.
- Santa Ana’s Inclusionary Zoning ordinance, adopted in April 2022, allows developers the option of either setting aside affordable units, or alternatively complying with an in-lieu fee option. If the developer decides to pursue the in-lieu fee option and the project has 20 or more units, some degree of a Skilled and Trained Workforce (STW) must be utilized. Since the policy is recent, no projects been through this process.
- San Francisco’s CityBuild program, established in 2006, offers San Francisco residents construction pre-apprenticeship and administration training. CityBuild assists contractors and developers in developing a plan for Local Hire and operates the CityBuild Academy to train new construction talent and connect with potential employers. CityBuild encourages but does not mandate Local Hire for private housing construction projects.
- Developers expressed concerns primarily about the impact of mandatory Prevailing Wage and Skilled and Trained Workforce requirements on privately funded projects, predicting a decrease in developments that do not qualify for SB 35 streamlining. They suggested that incentives like increased density or reduced parking requirements could offset additional workforce costs. Affordable housing developers were less concerned about paying prevailing wage but noted challenges in finding labor through apprenticeship programs, especially in competitive markets. Local Hire requirements were deemed more manageable, with a preference for preferred targets over strict mandates. Detailed information regarding roundtable discussion insights and stakeholder interviews can be found in Appendix C: Stakeholder Interviews.
- In one-on-one interviews, real estate stakeholders stated that prevailing wages could increase project costs by 20 to 30 percent, with labor typically accounting for 40 to 50 percent of total costs. In dealing with various project types across the State, these stakeholders also expressed concerns about legislative changes increasing housing production costs amid challenges like supply chain issues, inflation, and rising interest rates.
- There was a consensus among developers regarding the need for balancing labor requirements with incentives to maintain project feasibility. This includes options like additional density bonus incentives, parking requirement adjustments, or streamlined entitlement processes. Developers were open to workforce targets, especially for

Executive Summary

apprenticeships or Local Hire, preferring policies that offer flexibility in response to market conditions. Some suggested a living wage could be acceptable if competition between union and non-union labor remains.

- Union representatives highlighted the increasing collaboration with developers on large projects and the benefits of STW (Skilled and Trained Workforce) programs. They noted that while traditionally focused on infrastructure, union labor in the housing construction sector, particularly affordable housing, is growing due to state and local legislation encouraging the use of Prevailing Wage or STW. They emphasized the benefits of skilled union labor, including higher project quality, efficiency, and safety.
- Union interviewees suggested setting realistic goals for Local Hire programs, considering a range of 15 to 40 percent Local Hire. They advised against setting a greater percentage requirement for Local Hire and emphasized the importance of flexibility combined with accountability for contractors. The union representatives confirmed the competitive nature of union labor in Southern California and supported the general sentiment for balanced and adaptable workforce policies.

Summary of Next Steps

The City should use the findings and analysis of this report to test the feasibility of these workforce policies/programs in the context of other cost factors to determine whether market rents and prices can support the additional costs if they are to be imposed on private housing development projects. The findings of this report indicate that there will be increased construction cost implications if such workforce policies/programs are required for housing development projects. If the City were to consider such workforce policies/program requirements on private housing development projects, the City should factor in whether adopting such workforce policies/programs and requirements would impede housing production in the City. These workforce policies/programs would need to be consistent with the goals, policies, and programs of the City's General Plan Housing Element and the State's targets for housing production.

Topics for further discussions could include evaluating the impacts on total project costs², potential incentives offered to developers if mandatory workforce programs are implemented for private housing development projects. Incentives to offset the costs of development and

² Total Project Costs include construction costs (hard and soft costs), as well as financing costs, developer returns, land costs, and local development impact fees. The latter four are not considered in this analysis. The first two are set at a regional or level and would not be impacted by these projects. Land costs are set locally and would typically adjust to reflect local development requirements. However, land adjustments often take time to reflect new policies. Burbank's development impact fees do differ between affordable and market rate units; thus, inclusionary requirements would impact Total Project Costs. This analysis assumes all units pay market-rate unit development impact fees.

Executive Summary

provide flexibility to meet the City's goals for prevailing wages, STW, apprenticeships, and local hire policies, while providing much-needed housing, could include the following:

- 1) Additional density and building intensity for developers who pay Prevailing Wage or provide other Workforce programs. Additional density of up to 25 percent is allowed in the Burbank 2035 General Plan for exceptional projects that advance the goals and policies of the Plan (Land Use Element Goal 1, Policy 1.4). Providing Prevailing wages and/or other workforce programs could be considered an exceptional feature for a project and therefore satisfy the criteria for granting additional density under this policy.
- 2) Reduced inclusionary housing requirements for developers who pay Prevailing Wage and/or work with an Apprenticeship program. For example, the requirement for inclusionary units can be reduced from 15 percent, as it currently stands, to 10 percent of the base allowable density.
- 3) A rebate program that might recoup part or all of development impact fees and taxes or other fees if developers pay Prevailing Wage or utilize a Skilled and Trained Workforce (STW).
- 4) A requirement to pay prevailing wage or provide other workforce programs for housing development projects that exceed the buildable height for wood frame construction and are now a midrise or taller building, including steel construction in excess of the 75 feet and defined as a high-rise building by section 202 of the California Building Code.

INTRODUCTION

Purpose

In 2017, the Burbank City Council took action to address Burbank housing affordability by creating the Burbank Housing Analysis and Strategy Plan. The goal of the plan was to develop a strategy for affordable housing production that is responsible and appropriate for Burbank while protecting existing single-family neighborhoods. The plan includes various policies and action items to accomplish this goal and address the jobs to housing imbalance that exists in the City, where there are more jobs than housing units, which has adversely affected housing availability and affordability.

Building upon this strategic plan in 2019, the Burbank City Council, sought to balance the issues of improving housing affordability and the protection of existing residential neighborhoods by setting a goal to facilitate the production of 12,000 dwelling units by 2035. In addition, the Southern California Association of Governments (SCAG) had allocated to the City of Burbank a Regional Housing Needs Assessment (RHNA) of 8,772 new dwelling units for the 6th planning cycle of the Housing Element. The City was tasked with planning for these housing goals in preparation for the update of the City's own Housing Element for the 6th planning cycle.

On September 27, 2022, the Burbank City Council adopted the Burbank 2021-2029 Housing Element, which is a required policy chapter for the City's General Plan. The adopted Housing Element outlines the City's housing goals/objectives/programs in preserving and improving the City's existing housing supply and residential neighborhoods and providing opportunities to facilitate responsible housing production affordable to all economic segments of the community in the City. In the adopted Housing Element, the City established a Housing Plan, which includes 27 total programs to implement the goals and objectives of the Housing Element. Specifically, the City listed eight housing programs to address housing affordability. Housing Plan Programs #10 and #11 directed the City to update its existing Inclusionary Housing Ordinance and Density Bonus regulations, respectively. As part of implementing Programs #10 and #11, the City also committed to preparing an economic feasibility analysis that evaluates the potential impacts and benefits of implementing prevailing wage requirement and other workforce programs such as local hire and apprenticeship policies on future housing development projects.

One goal of this document is to provide a better understanding of the implications and impacts of different workforce policies/programs on the financial feasibility of housing production. As a first step, the City sought to understand the financial costs of such programs on housing projects.

For this purpose, the City of Burbank obtained the services of BAE Urban Economics, which has expertise in the subject matter of affordable and workforce housing, to help the City evaluate the costs and benefits of potential housing development workforce policies/programs and

policies (i.e., Prevailing Wage, Skilled and Trained Workforce (STW), Apprenticeship, and Local Hire) as required by Burbank Housing Element, Housing Plan Programs #10 and #11.

Approach

To determine the costs and benefits of housing development workforce policies/programs, the following tasks were performed:

- 1) Interviewed local builders, developers, and worker representatives (Appendix C: Stakeholder Interviews);
- 2) Interviewed and surveyed other cities to identify communities throughout California that implement one or more of these workforce policies/programs (Appendix B: Surveyed City Policies and Interviews);
- 3) Conducted a literature review on workforce policies/programs (Appendix D: Literature Review); and
- 4) Modeled the potential construction costs of building different construction typologies: low-, medium-, and high-density residential housing projects³ under each of these programs (Appendix E: Construction Cost Models).

This report is structured to first provide an overview of the various evaluated workforce policies/programs. After the introduction of the workforce policies/programs, the report transitions to the construction cost analysis and report findings. The report concludes with a discussion of specific methodology, and study outcomes and possible next steps for further research.

It is important to note that although the scope of this report is limited to analyzing the cost/benefit of workforce policies/programs on housing development, potential implementation of workforce policies/programs could impact citywide policies, beyond those related to housing. The potential economic effects of implementing the workforce policies/programs are undetermined at this time.

As such, this analysis does not:

- Include specific recommendations for implementing workforce policies/programs;
- Include a complete analysis of any State and Federal Laws that may need to be considered when establishing and implementing workforce policies/programs; or
- Consider potential costs associated with the creation, implementation, and enforcement of workforce policies/programs.

³ The projects modeled in this report reflect construction typologies that the City of Burbank has seen proposed and/or constructed in the City.

OVERVIEW OF VARIOUS WORKFORCE POLICIES, PROGRAMS AND TERMS USED IN THE REPORT

Following are definitions and descriptions of the various workforce policies/programs as evaluated in this analysis. These are primarily defined by State Statutes and requirements addressing public works project scenarios that do not apply to Burbank as a Charter City. In 2012, the California Supreme Court held that a Charter City may exempt itself from State prevailing wage requirements on a city's locally funded projects because they are a "municipal affair".⁴

A Note on Capitalization Practices

Within this report, "Prevailing Wage", "Skilled and Trained Workforce (STW)", "Apprenticeship", and "Local Hire" are capitalized when referred to as a workforce policy/program concept and not capitalized when used as a general term. For example, the term "Prevailing Wage" in the sentence "Prevailing Wage is pursued for capital improvement projects" is capitalized, while the same term in "The contractor pays prevailing wages" is not.

Prevailing Wage

Prevailing Wage involves the minimum requirements of payment to certain laborers on specified construction jobs. When construction jobs are subject to Prevailing Wage, other requirements apply as well: apprenticeships at state-approved programs, certified payroll records, contractor registration, and enforcement of obligations of contractors and subcontractors by Labor Commissioners. The Prevailing Wage rate in California is determined by the California Department of Industrial Relations ("DIR") and it is the basic hourly rate paid on "public works projects"⁵, which typically includes government public works projects paid for in whole or in part with public funds. This basic hourly rate is paid to a majority of workers engaged in a particular craft, classification or type of work within the locality and in the nearest labor market area. The Prevailing Wage rate for federal projects (when required by the Davis Bacon Act) is administered by the Wage and Hour Division (WHD) of the U.S. Department of Labor.⁶

⁴ State Building & Construction Trades Council v. City of Vista (2012) 54 Cal.4th 547

⁵ DIR is only involved with determining and enforcing the prevailing wage rate for "public works projects". A public works project is for certain enumerated projects, which use a certain threshold of public funds, as specified in California Labor Code Sections 1720-1721. The law expressly provides for certain exceptions from paying prevailing wages.

⁶ Davis-Bacon law requires in general, certain projects using federal funds that exceed \$2000 for certain work; 29 CFR Sec. 5.2. it also requires prevailing wages in supply contracts that exceed \$10,000 and service contracts exceeding \$2500 (the latter two requirements have no California counterparts). Davis-Bacon prevailing wage provisions also apply to "Related Acts," under which federal agencies assist construction projects through grants, loans, loan guarantees, and insurance (which includes CDBG grants).

Skilled and Trained Workforce (STW)

While there is no universal definition of a Skilled and Trained Workforce (STW), most state statutes with STW requirements refer to a minimum threshold of labor hours worked on by graduates of a state-approved training program and a threshold for a minimum number of hours worked on by apprentices.

While many projects that use a Skilled and Trained Workforce (STW) typically also follow Prevailing Wage requirements, it is not always mandated or required that the project include both. However, in practice, the use of a Skilled and Trained Workforce (STW) in California often means using union labor, which commands the wages on which prevailing wages are based.

Apprenticeships

Apprenticeship programs are typically sponsored by labor organizations who employ a certain number of apprentice hours for every five hours of journeyman-level hours. Labor organizations register their programs with the State Department of Industrial Relations Division of Apprenticeship Standards (DAS). Similarly, sponsors may register pre-apprenticeship programs with DAS that prepare individuals to enter apprenticeship programs.

Targeted Local Hire policies fall into this category as well. Local jurisdictions implementing targeted hire policies identify community partners with whom contractors and unions should coordinate or create a pre-apprenticeship pipeline to boost local resident and local school participation. Targeted hire policies are memorialized through Community Workforce Agreements (CWAs) or Project Labor Agreements (PLAs), which are described in more detail below.

Local Hire

Local Hire policies are meant to boost employment by residents who live in a defined local area and do so by setting a target for the number of hours a construction project should be worked on by local residents. The defined area may include city limits, county boundaries, or some other measure such as a radius around a city or local jurisdiction.

When local hiring targets are implemented through project labor agreements and community workforce agreements, Unions and contractors must make a demonstrated effort to consider a candidate's local residence status. Further requirements to favor disadvantaged workers may also be included in some pre-hire agreements. Efforts to engage disadvantaged workers may include prioritizing workers who live in impoverished ZIP Codes or who have experienced homelessness. A designated department or agency is required to be responsible for compliance and monitoring. Similar policies and provisions may also be found in development agreements between a developer and a City.

A similar, but distinct policy related to Local Hire goals is known as "first source hiring". While the goal of first source hiring is like that of Local Hire policies—to boost local employment and

promote socioeconomic policies in the local area—first source hiring does so by encouraging businesses to consider qualified candidates referred by a local workforce agency or partner before other qualified candidates.

COST ANALYSIS

The Cost Analysis section evaluates the potential cost impact each workforce program or policy may have on the construction of new housing developments. To conduct the Cost Analysis, BAE prepared a construction cost model that shows how the different workforce policies/programs under review might impact the costs to developers. These costs can be used in conjunction with local market rents, sale prices, and real estate value metrics to determine how any of these programs impact development feasibility – the ability of a developer to build new housing developments. The analysis applies cost differentials derived from the literature review and peer city information to housing construction typologies (housing construction that could be proposed in Burbank) to evaluate the cost implications of workforce policies/programs.

Cost Differentials

BAE conducted a literature review of academic and other relevant published articles evaluating the cost impacts of different workforce development programs. The findings of the literature review provide the basis for estimating the potential impacts to housing construction typology costs in Burbank, in terms of cost differentials. The cost differential refers to the difference in costs associated with any of the workforce policies/programs this report is evaluating compared to the cost of a baseline construction typology. Cost impacts are often measured in terms of Hard Costs or Total Costs, where hard costs represent the cost of labor and materials for the building itself and total cost includes hard costs plus soft costs (e.g., legal fees, architecture and engineering, fixtures), financing costs, developer fees, and land costs. Table 2 shows the cost differentials for the various workforce development programs.

Table 2: Literature Review Workforce Program Cost Estimates

Program	Percent Increase	
	Hard Costs	Total Costs
Prevailing Wage/Skilled and Trained Workforce	19.5%	16.1%
Apprenticeships	16.6%	14.1%
Local Hire Programs	2.0%	1.6%

Sources: Turner Center, 2020; Newman, Blosser, Haycock, 2004; HCD California Affordable Housing Cost Study, 2014; Blue Sky Consulting, 2017; ENR, 2022; Rand, 2021; San Francisco 2020 Local Hire Annual Report, 2021; San Jose Local Hiring/Local Business/Local Apprentice Utilization Program Memo, 2016; Regional Housing Legal Services, 2013; BAE, 2023.

The full literature review including detailed findings can be found in Appendix D: Literature Review. However, it should be noted that most projects using these programs in California are public works projects that undertake a public procurement process for design, bid, and build

services. This is because private development projects are generally not subject to workforce program requirements. Impacts to private development projects may vary.

Prevailing Wage and Skilled and Trained Workforce (STW)

The literature review of the Cost Analysis provided five different estimates of the cost differential for using prevailing wages or an STW above baseline market costs. On average, use of either prevailing wages or an STW requirement results in a 19.5 percent increase in hard costs. BAE applied this factor to hard costs in its own construction cost model to evaluate the differential in several examples of construction typologies often seen in Burbank, which are in Appendix E: Construction Cost Models.

The 19.5 percent increase is applicable to either Prevailing Wage; and Skilled and Trained Workforce requirement, or both. The cost impacts of these programs are not cumulative. Skilled and trained workforce results in labor costs similar to union wages because those workers meeting STW requirements are either union workers or earn the equivalent wage due to their training and experience. Prevailing wages are negotiated by the unions throughout the state, therefore wages under either policy will be very similar. In a scenario where a project requires both Prevailing Wage and STW, even though those two concepts are different policy-wise, in terms of the construction cost model, they are equivalent as in the same cost impact whether Prevailing Wage or STW is required.

Apprenticeship

BAE was able to obtain an estimate cost of apprenticeship program implementation in its construction cost model by gathering information from the literature review and the interviews with surveyed cities. The literature review of the Cost Analysis provided limited information on the cost of implementing an apprenticeship program. However, BAE did find a series of City Council staff reports from the City of Dublin (Bakker & Stefanski, 2020) that evaluated the cost impacts of signing a Community Workforce Agreement with the Building and Construction Trades Council of Alameda County for future capital improvement projects.⁷ The cost differential produced by an apprenticeship program was estimated to be a 16.6 percent increase in hard costs and 14.1 percent increase in total cost.

Apprenticeship programs are typically run and coordinated by local trade unions, though pre-apprenticeship programs are run through local universities, colleges, and non-profit organizations. Therefore, the cost of implementing an apprenticeship requirement policy will depend on the existing inventory and capacity of organizations that help connect potential apprentices with the construction organizations.

⁷ The Building and Construction Trades Council of Alameda County approached the City of Dublin in May 2019. Between May 2019 and August 2020, city staff conducted peer city interviews to learn about the impacts of implementing CWA agreements for public capital projects.

Cost Analysis

According to a May 2016 City of San Jose staff report (Ng, 2016) providing research on the impacts of implementing a Local Hiring/Local Business/Apprentice Utilization Program, the most prominent cost of an apprenticeship program comes through actual project cost increases due to the wage requirements and required oversight of hiring apprentices. The staff report summarizing a potential local hiring, local business, and local apprentice utilization program suggests apprentice wages are roughly half of traditional PLA wages (Ng, 2016). While the required number of apprentices, or percentage of hours completed by apprentices, depends on the local requirement, Table 3 below assumes ten percent of the labor is open to apprenticeships. Under these assumptions, instituting an apprenticeship requirement policy would increase the project's hard cost by roughly 16.6 percent, or the total cost by roughly 14.1 percent based on the average differential found in the literature review. This is a product of adding the direct cost of the apprentice wages, in addition to the cost of instruction, oversight, and ongoing support by the skilled construction laborers for all four construction typologies studied in this Report.

Table 3: Apprenticeship Costs

Percent of labor open to apprenticeships	10%
Apprentice wages as % of PLA wages	50%
Hard Cost Differential	16.6%
Total Cost Differential	14.1%

Sources: San Francisco 2020 Local Hire Annual Report, 2021; San Jose Local Hiring/Local Business/Local Apprentice Utilization Program Memo, 2016; Regional Housing Legal Services, 2013; BAE, 2023.

Local Hire

Like Apprenticeship programs, the literature review of Local Hire was limited in estimating the cost of implementation and compliance. According to a staff report to City Council in the City of Dublin, staff estimates that setting up, implementing, and monitoring a Local Hire program would require new city staffing/consultant oversight cost of \$250,000 per year (Bakker and Stefanski, 2022).

To estimate the cost of Local Hire programs for its construction cost model, BAE increases the soft costs⁸ 200 basis points (or two percent)⁹ above the baseline project's percentage of soft costs to reflect outreach costs, a delayed construction hiring process, and associated administration. Based on the literature review and interviews, two percent is a reasonable amount to reflect the increased monitoring and administration costs, along with construction

⁸ Soft costs refer to construction costs not associated with the physical development. They include legal fees, environmental review, certification, plan check, permitting, architectural, and engineering fees. Soft costs are often reported as a percentage of hard costs. As an example, soft costs might be 20 percent of hard costs. If hard costs are \$100 per square foot, soft costs would be 20 percent of \$100 or \$20 per square foot.

⁹ 200 basis points is equivalent to two percent. In the prior example, a 200 basis point increase on 20 percent would equal 22 percent.

Cost Analysis

delays. Larger projects will see larger impacts while smaller projects may have very minor impacts.

Construction Typologies

BAE created construction typologies based on the development prototypes tested in Keyser Marston Associates' September 2020 Inclusionary Housing: Financial Evaluation report as the basis for this Cost Analysis. A construction typology provides the dimensions of a hypothetical housing project including factors such as site and building size (expressed in total square feet), the number of housing units, number of parking spaces, project density, and average unit size. It does not consider any inclusionary housing requirements.¹⁰ BAE also created a smaller infill construction typology (maximum 20 residential units) to analyze the construction cost differential associated with each workforce program.

Table 4 displays the four (4) construction typologies utilized in this Cost Analysis: a 36 dwelling units per acre housing development, a residential project with less than 20 units, a medium density (62 dwelling units per acre) project, and a high density (87 dwelling units per acre) project.

Table 4: Cost Differential Construction Typologies

Construction Typology Assumptions	36 Units/Acre	< 20 Units	62 Units/Acre	87 Units/Acre
Site Size - square feet	43,560	37,026	174,240	43,560
Total Dwelling Units	36	17	248	87
Built Project Density	36	20	62	87
Gross Building Area	68,875	15,300	305,032	97,765
Average Unit Size	1,222	900	1,168	955
Total Parking Spaces	92	41	469	165
Surface Spaces	0	0	0	0
Podium Spaces	92	41	120	0
Subterranean Spaces	0	0	349	165

Sources: Keyser Marston Associates, 2021; City of Burbank, 2022; BAE, 2023.

The four construction typologies represent the variety of residential projects that the City of Burbank could see (or has seen) proposed in the City, and do not necessarily reflect a specific project. Each construction typology has its own specific development conditions (i.e., site size, total parking space, etc.) and are tailored to represent potential alternative housing projects. The findings of the cost differential analysis are provided below.

¹⁰ The construction costs associated with building an affordable unit within a mixed-income development are the same as the cost to construct a market rate unit in the same project. This reflects inclusion within a larger project as well as Fair Housing Act requirements that affordable units are indistinguishable from market rate units.

Construction Cost Impact Findings

Prevailing Wage and Skilled and Trained Workforce (STW) programs increase construction costs the most compared to a base construction typology. Local Hire programs administered outside of union programs have the smallest cost increase. Because unions primarily administer apprenticeship programs, these programs still have a significant increase in costs, but can take advantage of less expensive union labor (the apprentices themselves). Most workforce policies/programs have been created for public works projects, so the cost differentials are derived from research based on public projects. However, these differentials are still applicable to private construction because Prevailing Wage is set at a specified level, whether for private or public projects, Apprenticeships and STW are related to Prevailing Wage, and Local Hire provisions would not differ for private and public projects.

Using data from the literature review along with stakeholder and peer city interviews, BAE estimated the costs of these programs to four construction typologies. These typologies represent the kinds of housing projects in Burbank that were recently built or are under construction.

Table 5 shows the construction cost differentials of each program for each typology. In Burbank, under current 2023 construction costs, the cost to develop a baseline unit in a 36 dwelling units per acre housing project would be \$825,779, or \$432 per building square foot. Prevailing wages would increase construction costs 16 percent, resulting in a build cost of \$959,396 per unit or \$501 per square foot. An apprenticeship program would result in a 14 percent construction cost increase – resulting in a build cost of \$939,353 per unit or \$491 per square foot, while a Local Hire requirement would increase the construction cost of the unit to \$839,652 or \$439 per square foot. Appendix E: Construction Cost Models shows the full cost models for each construction type.

Report Outcomes and Next Steps

Table 5: Summary Construction Cost Differential Findings, by Program by Construction Typology

	No Workforce Requirement	Prevailing Wage/ Skilled Labor	Apprenticeship	Local Hire
36 DU/Acre				
Cost per Unit	\$825,779	\$959,396	\$939,353	\$839,652
Cost per SF	\$432	\$501	\$491	\$439
Premium over base	N/A	16%	14%	2%
Less than 20 Units				
Cost per Unit	\$521,100	\$604,980	\$592,398	\$529,809
Cost per SF	\$579	\$672	\$658	\$589
Premium over base	N/A	16%	14%	2%
62 DU/Acre				
Cost per Unit	\$597,291	\$686,221	\$680,919	\$606,099
Cost per SF	\$486	\$558	\$554	\$493
Premium over base	N/A	15%	14%	1%
87 DU/Acre				
Cost per Unit	\$554,450	\$646,560	\$632,743	\$562,117
Cost per SF	\$493	\$575	\$563	\$500
Premium over base	N/A	17%	14%	1%

Source: BAE, 2023.

The percentage of affordable units does not impact a development’s hard or soft costs. Under Fair Housing Requirements, affordable units must be indistinguishable from market-rate units in a mixed-income development. However, affordable units do pay less in Development Impact Fees in Burbank than market rate units. Thus, the percentage of affordable units will impact total development costs.

REPORT OUTCOMES AND NEXT STEPS

The City of Burbank engaged BAE to evaluate the costs and benefits of implementing potential housing development workforce policies/programs (Prevailing Wage, Skilled and Trained Workforce (STW), Apprenticeship, and Local Hire) as part of the City’s update to its Inclusionary Housing and Density Bonus regulations, as required by Programs 10 and 11 of the Burbank 2021-2029 Housing Element Housing Plan (adopted by the City Council on September 27, 2022). To determine the costs and benefits of housing development workforce policies/programs, BAE interviewed local builders, developers, and worker representatives; interviewed peer cities that implement one or more of these workforce policies/programs;

Report Outcomes and Next Steps

conducted an extensive literature review; and modeled the cost for low-, medium-, and high-density residential construction typologies¹¹ under each of these programs.

Report Outcomes

The report finds that any workforce policies/programs will increase housing construction costs. Based on the Cost Analysis, total cost increases can range from a two percent increase in construction costs for a Local Hire Requirement, to a 14 percent increase for an Apprenticeship program,¹² to a 17 percent increase for a Prevailing Wage or STW requirement. Furthermore, according to the research and analysis done for this report, the benefits of these programs are not easily quantifiable, but it may include a reduced dependence on social safety net programs for construction workers, and enhanced efficiency in construction through a more trained workforce.

Research from the stakeholder roundtables and developer interviews indicate that the development community would prefer flexibility in meeting the City's desired outcomes.

While many cities have workforce requirements related to public works projects or developments using public funding, only Santa Ana has a workforce program tied to its inclusionary housing ordinance. Santa Ana requires the use of an STW on inclusionary housing projects that choose to pay a fee in-lieu of delivering affordable units as an alternative means of compliance. San Francisco does require developers to meet with its CityBuild staff, but goals are pursued through good-faith efforts negotiated through an agreement, as opposed to a contract strictly enforced through punitive measures. Pasadena incentivizes local hiring through a construction tax rebate if developers provide payroll documentation, although just one private project has taken advantage of the incentive. Berkeley's recent Hard Hats ordinance will be of particular interest to Burbank because its Apprenticeship and healthcare requirements will apply broadly to mid- and large-scale housing projects.

Next Steps: How to Use the Findings of this Report

The various potential workforce policy programs—Prevailing Wage or Skilled and Trained Workforce (STW), Apprenticeships, and Local Hire—will have varying impacts on development feasibility. For example, Local Hire policies may not increase development costs significantly. However, new developments may not be able to absorb the 15-17 percent higher construction costs associated with Prevailing Wage or Skilled and Trained Workforce (STW), and Apprenticeships. If the City is interested in adopting workforce requirements for housing development projects, the City should consider the potential financial or development incentives available to developers. These incentives should help offset additional costs and provide

¹¹ Projects modeled in this report reflect those being evaluated in the Inclusionary Housing Update or represent recently built Burbank housing projects.

¹² Local unions typically provide apprentices; thus, the cost includes a PLA with a discount for using less expensive (i.e., apprentice) labor.

Report Outcomes and Next Steps

flexibility to meet the City's goals for Prevailing Wage, STW, Apprenticeship, and Local Hire policies.

Based on the research summarized above those incentives could include:

1. Additional density and building intensity, which could enhance a project's value, and reduce the need for public subsidies to support development feasibility. For example, the City could grant an increase in density up to a certain percentage of base density in exchange for a project's adoption of Prevailing Wage or another workforce program. Program LU-1 in the City's Burbank 2035 General Plan calls for the establishment of criteria for exceptional projects that advance the goals and policies of the General Plan, and to develop a process to allow exceptional projects to exceed density and intensity limits established in the Land Use Element. Policy 1.4 of the Land Use Element, further calls for allowing density limits to be exceeded by up to 25 percent for exceptional projects. (Note: The City also provides for up to a 25 percent increase in density for "transit-oriented developments", which may be similar in development intensity to prototypical projects being studied in this report that are within a transit centers identified in the General Plan Mobility Element (Burbank2035 Land Use Element Goal 1, Policy 1.2).
2. Lower minimum inclusionary housing requirements, if the project provides Prevailing Wage and/or workforce training.
3. A tax rebate or credit option that would allow developers to recoup costs spent on local development fees and taxes, such as permit fees, application fees, development review fees, and contractor's business tax, up to a percentage of Prevailing Wage or Skilled and Trained Workforce (STW) expenditures incurred during the development of qualifying housing project.
4. A requirement to pay prevailing wage or provide other workforce programs for housing development projects that are four or more stories high, exceeding 75 feet in height and defined as a high-rise building by section 202 of the California Building Code.

Report Outcomes and Next Steps

As a next step, using the findings and information in this report, the City can analyze the feasibility of these programs in the context of other cost factors to see whether market rents and prices can support the additional costs. Overall, the City must consider the consequences of such workforce policies/programs implementation and ensure that it does not chill the production of housing, which could affect the City's ability to maintain compliance with applicable state housing laws.

APPENDIX A: COMMON IMPLEMENTATION MECHANISMS

There are existing mechanisms and recent legislation that the State of California and local jurisdictions have used to implement a given workforce program.

State Laws Applicable to Privately Funded Projects

State legislation guides most instances of Prevailing Wage and apprenticeship construction work. In recent years (2017 – 2022), the California Legislature has passed a number of Assembly Bills (ABs) and Senate Bills (SBs) that include labor requirements affecting private development, and specifically housing production. SB 35, in particular, has been influential in setting a new course for State policy that emphasizes streamlining housing permits to increase the housing supply in exchange for contractors' paying construction workers prevailing wages.

SB 35

SB 35, approved in September 2017, created a new statewide Prevailing Wage requirement for certain qualified private infill housing projects. The law specifically allows developers to use the streamlined, ministerial review process if they agree to pay prevailing wages on entire project pursuant to requirements of Labor Code Section 1770 et seq. The bill applies to housing developments in jurisdictions which are not meeting their state mandated RHNA goals, including the City of Burbank. Senate Bill 423, which was approved by the State in 2023, made amendments to workforce requirements for SB 35 housing projects.

In the City of Burbank, SB 35 projects are allowed on any property that is either zoned for residential use or has a maximum residential density listed in the General Plan. This includes large segments of the City of Burbank.

AB 73

AB 73, passed in September 2017, allows local governments to create housing sustainability districts for by-right affordable housing and mixed-income development. If local governments pass an ordinance creating these districts, all projects within the district are subject to Prevailing Wage. AB 73 amends Section 65582.1 and adds Chapter 11 (starting with Section 66200) to Division 1 of Title 7 of, the Government Code. The bill also adds Chapter 4.3 (starting with Section 21155.10) to Division 13 of the Public Resources Code. As of the writing of this report, Burbank has not yet established a housing sustainability district.

AB 2011

AB 2011, approved in September 2022, allows for by-right approval for both affordable and mixed-income housing that is in commercial zones. Developers must meet certain

Appendix A: Common Implementation Mechanisms

requirements, including paying prevailing wages, as well as requiring contractors to provide apprenticeship and health care for projects of 50 or more units. AB 2011 amends Sections 65400 and 65585 to the California Government Code, as well as adds and repeals Chapter 4.1 (starting with Section 65912.100) of Division 1 of Title 7.

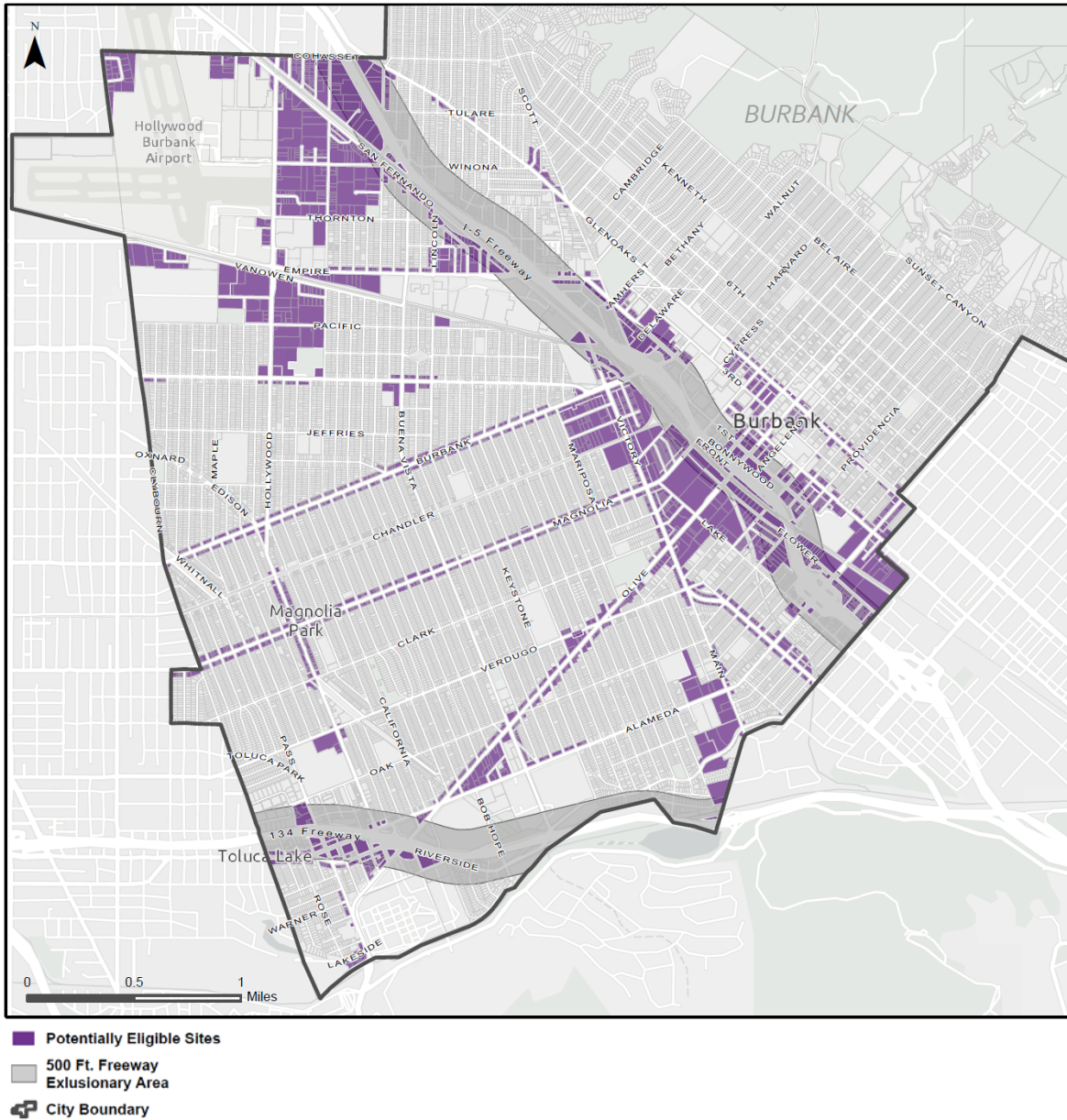
SB 423

SB 423, signed into law in October 2023, amends California Government Code Section 65913.4 and extends SB 35's provisions to 2036, which were due to expire in 2026. Not only does SB 423 extend SB 35's provisions, but it also expands them to communities within California's Coastal Zone, which were previously exempt. Other new provisions include modifications to the labor requirements, which now includes providing health insurance for workers and a minimum hour requirement for apprentices for larger projects, and safeguards against post-entitlement requirements from local jurisdictions which may suppress housing production.

Notably, the City of Burbank's Rancho Master Plan area is exempted from the SB 35 pursuant to the SB 423 exemption for projects in equestrian districts that meet certain requirements. Unless extended, this exemption is valid through July 1, 2025.

The City of Burbank includes large areas where AB 2011 Projects are possible to develop. In the case of 100 percent affordable units, the map below shows those parcels where AB 2011 projects are allowed in commercial zones where office, retail, or parking are principally permitted uses (allowed by-right). The areas within the 500-foot freeway buffer are not eligible.

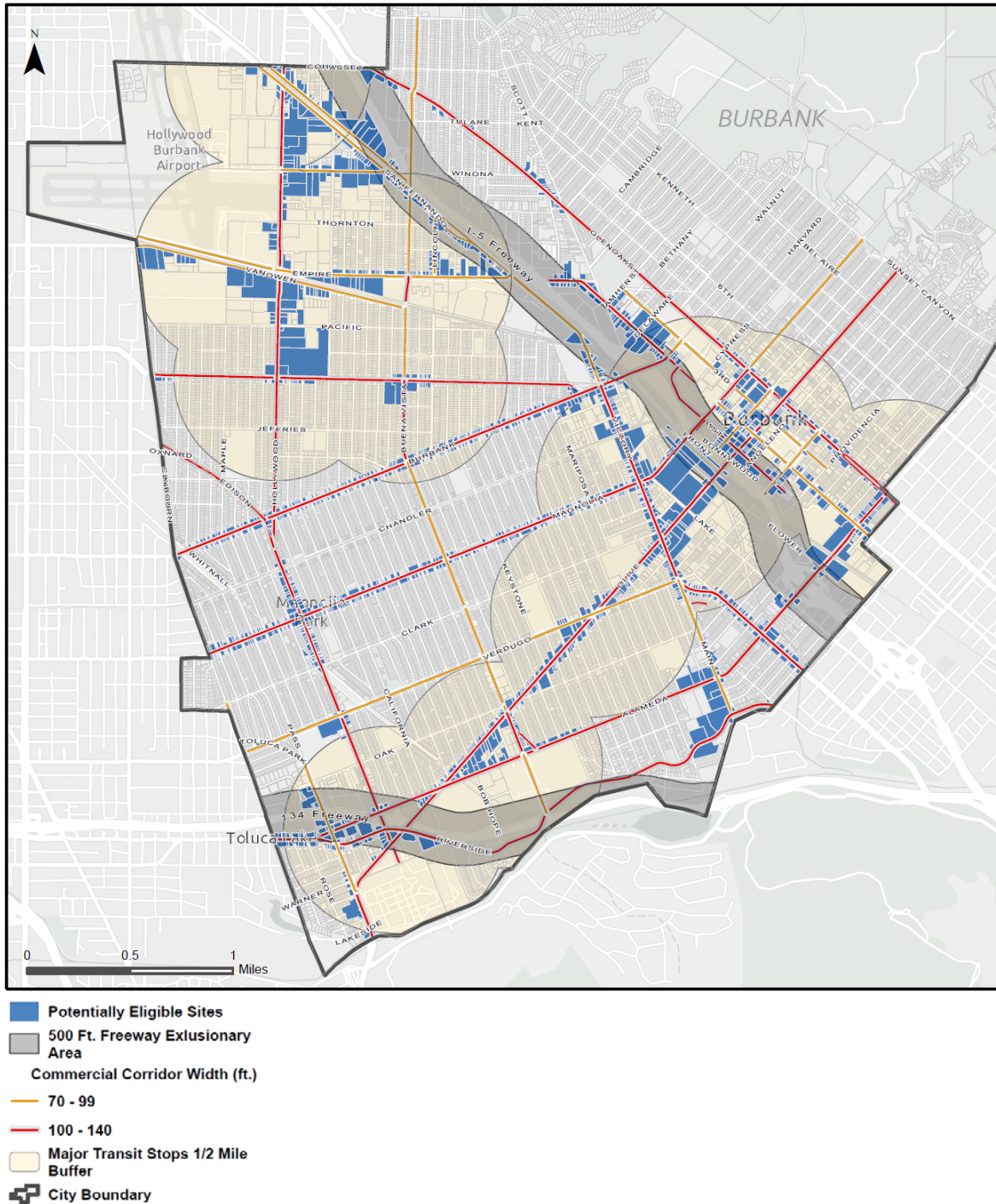
Figure 1: Parcels with Potential AB 2011 Eligibility for 100% Affordable Projects in the City of Burbank



Source: City of Burbank, 2024

For Mixed-Income projects, housing developments are allowed along Burbank’s Commercial Corridors. A map of the allowable areas is shown below:

Figure 2: Parcels with Potential AB 2011 Eligibility for Mixed-Income Projects in the City of Burbank



Source: City of Burbank, 2024

Local Laws Applicable to Privately Funded Projects

Cities are also able to use local ordinances as tools to require workforce development programs for privately funded projects, like housing, that are not public works projects intended for government or public use. Berkeley, Pasadena, Hayward, Santa Ana, and San Francisco are examples of cities that have workforce policies/programs applicable to privately funded projects. Due to the nature of the policies having been created at the local level, each is unique and tailored to the needs of each city. More information regarding the specifics of each policy can be found in

Appendix A: Common Implementation Mechanisms City Policies and Interviews. If a city does not adopt a policy applicable to a broad array of projects, workforce-related goals can still be accomplished on a case-by-case basis as part of a project's conditions of approval, such as through a Development Agreement (DA) or other entitlement process.

Conditions of Approval

Development Agreements (DAs) are contracts between the local government and an owner of real estate that provide rules concerning the development of land. Land use approvals and provisions negotiated between developers and local governments ultimately result in a binding contract and are another route for development and workforce policy implementation. California Government Code Sections 65864–65869.5 provide the legal framework for Development Agreements (DA) in the State. The terms of a DA may apply to a wide range of topics including density, land use, easements, and affordability restrictions. A development agreement protects developers from future building and zoning code, fee, and policy changes that may affect the property and other favorable development conditions in return for community benefits, including workforce requirements. As state laws change to incentivize housing development, cities and local jurisdictions may have fewer opportunities to use DAs to implement land use and workforce development policies.

Zoning Policies

Cities can also use its zoning policies to enact workforce development programs on privately funded development. For example, as part of its inclusionary housing policy, a policy tied to zoning requirements, developers that wish to pay an in-lieu fee as an alternative means of compliance may be required to pay prevailing wages. Other possible and potential scenarios could include a community benefit standard in an adopted City specific plan or density bonus ordinance that incentivizes higher density for a housing development project where a developer would provide prevailing wage and workforce requirements for the housing project.

State Laws Applicable to Publicly Funded Projects

By and large, state statutes and local ordinances governing the use of prevailing wages and other workforce development programs relate to public use development – or projects typically within the purview of public works' departments. As California is just beginning to evaluate the use of workforce development programs in private housing development, and programs affecting housing development are rare, this analysis relies on the more common programs related to public works projects to evaluate impacts of workforce development programs.

Prevailing Wage

Prevailing Wage relates primarily to money and the minimum requirements of payment to certain laborers on certain construction jobs. It also often requires a bundle of other

Appendix A: Common Implementation Mechanisms

things: apprenticeships at state-approved programs, certified payroll records, contractor registration, enforcement of obligations of contractors and subcontractors by Labor Commissioners. The Prevailing Wage rate in California is determined by the California Department of Industrial Relations (“DIR”) and it is the basic hourly rate paid on “public works projects “ (as discussed below- but typically by government public works projects paid for in whole or in part with public funds) to a majority of workers engaged in a particular craft, classification or type of work within the locality and in the nearest labor market area. The Prevailing Wage rate for federal projects (when required by the Davis Bacon Act) is administered by the Wage and Hour Division (WHD) of the U.S. Department of Labor.

DIR is only involved with determining and enforcing the Prevailing Wage rate for “public works projects”. A public works project is for certain enumerated projects, which use a certain threshold of public funds, as specified in California Labor Code Sections 1720-1721. Unlike the Davis-Bacon law, the threshold varies depending on who funds the contract. The law expressly provides for certain exceptions from paying prevailing wages. This Labor Code Section does not apply to all public works projects, making this area of law complex. It is not uncommon to request a determination by DIR as to whether a project is a public works project subject to Prevailing Wage under state law.

Charter cities, like Burbank, were historically exempt from paying the state required prevailing wages for public works projects. In 2012, the California Supreme Court held that a charter city may exempt itself from state Prevailing Wage requirements on the city’s locally funded public works project because the wage level of contract workers constructing locally funded public works projects are a “municipal affair”. (State Building & Construction Trades Council v. City of Vista (2012) 54 Cal.4th 547.) Burbank never exempted itself; however, it did define “public works project” differently from the state definition (for example, Burbank definition did not include demolition) and the threshold of triggering prevailing wages was much higher than the state thresholds.

In response to that court decision, Labor Code Section 1782 prohibited charter cities from receiving or using state funds on a project that did not require prevailing wages as established by the state. Section 1782 requires contracts exceeding \$25,000 for construction, and contracts exceeding \$15,000 for maintenance, alteration, demolition, repair to require payment of prevailing wages, and the other bundle of requirements that are part of the Prevailing Wage law.

In approving that law, the California State legislature made the following findings, which reiterates the current reason for prevailing wages:

- a) It is a matter of statewide concern that California has an available workforce of skilled construction workers.

Appendix A: Common Implementation Mechanisms

- b) Maintaining the workforce requires the continual training of new workers to replace aging workforce.
- c) The state's Prevailing Wage law promotes the creation of a skilled construction workforce. The requirement that contractors for public work projects pay prevailing wages to their employees encourages contractors to hire the most skilled workers and to invest in their training. The incentives provided in the Prevailing Wage law for formal apprenticeship training in state-approved programs provide the financial support and on-job training opportunities necessary to train the next generation of skilled construction workers.

Burbank modified its definition of public works projects to reflect Labor Code Section 1782, because the remedy for not modifying the section would be to forego state funding for city projects.

Skilled and Trained Workforce (STW)

Private housing projects meeting SB 35 and SB 6 requirements could require skilled and trained workforce (STW) in addition to prevailing wages. Those laws reference a definition of STW in Public Contracts Code ("PCC") Section 2601, et seq., which defines "skilled and trained workforce" as a workforce meeting all the following:

- 1) All workers performing in an apprenticeable¹³ occupation in the building and construction trades are either skilled journeypersons or apprentices registered in an apprenticeable program approved by the Chief of the Division of Apprenticeship Standards of the Department of Industrial Relations (the "Chief").
- 2) For work performed on or after January 1, 2020, at least 60 percent of the skilled journeypersons employed to perform work on the contract or project by every contractor and each of its subcontractors at every tier are graduates of an apprenticeship program for the applicable occupation (with some exceptions).
- 3) For an apprenticeable occupation in which no apprenticeship program had been approved by the chief before January 1, 1995, up to one-half of the graduation percentage requirements of paragraph (2) may be satisfied by skilled journeypersons who commenced working in the apprenticeable

¹³ California Code of Regulations Title 8 Section 205 provides the following definition of "Apprenticeable Occupation: "An "Apprenticeable Occupation" is one which requires independent judgment and the application of manual, mechanical, technical, or professional skills and is best learned through an organized system of on-the-job training together with related and supplemental instruction. Each "Apprenticeable Occupation" is defined by the work processes contained in the approved apprenticeship standards under which apprentices are training."

Appendix A: Common Implementation Mechanisms

occupation before the chief's approval of an apprenticeship program for that occupation in the county in which the project is located.

- 4) The apprenticeship graduation percentage requirements of paragraph (2) are satisfied if, in a particular calendar month, either of the following is true:
 - (A) At least the required percentage of the skilled journeypersons employed by the contractor or subcontractor to perform work on the contract or project meet the graduation percentage requirement.
 - (B) For the hours of work performed by skilled journeypersons employed by the contractor or subcontractor on the contract or project, the percentage of hours performed by skilled journeypersons who met the graduation requirement is at least equal to the required graduation percentage.
 - (C) The contractor or subcontractor need not meet the apprenticeship graduation requirements of paragraph (2) if, during the calendar month, the contractor or subcontractor employs skilled journeypersons to perform fewer than 10 hours of work on the contract or project.

- 5) A subcontractor need not meet the apprenticeship graduation requirements of paragraph (2) if both of the following requirements are met:
 - (A) The subcontractor was not a listed subcontractor under Section 4104 or a substitute for a listed subcontractor.
 - (B) The subcontract does not exceed one-half of 1 percent of the price of the prime contract.

“Skilled journeyman” means a worker who either:

- (1) Graduated from an apprenticeship program for the applicable occupation that was approved by the chief or located outside California and approved for federal purposes pursuant to the apprenticeship regulations adopted by the federal Secretary of Labor.

- (2) Has at least as many hours of on-the-job experience in the applicable occupation as would be required to graduate from an apprenticeship program for the applicable occupation that is approved by the chief.

This process is mandatory for approximately twenty specific types or projects authorized by state statute, none of which impact the City of Burbank. Many of those statutes also have exceptions from this requirement if a PLA is used (described below). As an aside, even if this provision became mandatory in contracts under the PCC, it would not apply to Burbank, absent additional legislation related to prevailing wages, since the administration of public works and procurement are municipal affairs and the City expressly exempted itself from state public contracting code

requirement, Burbank Municipal Code (BMC) Section 2-2-104. Instead, the BMC provides detailed process on how to award bids, et cetera.

While many projects that are required to use a Skilled and Trained Workforce (STW) also follow Prevailing Wage requirements, it is not always mandated that the project include both requirements. A statute governing a specific project could require an STW without triggering California's Prevailing Wage law. However, in practice, the use of a Skilled and Trained Workforce (STW) in California often means using union labor, which commands the wages on which prevailing wages are based.

Per California Labor Code Section 1777.5, public works projects, in addition to being required to pay prevailing wages, are required to employ "one hour of apprentice work for every five hours performed by a journeyman level worker." This means 20 percent of all construction work hours must come from apprentice labor, although the exact ratio varies by trade. Apprenticeship programs are primarily sponsored by labor organizations, who must register their programs with the Department of Industrial Relations Division of Apprenticeship Standards (DAS). A list of all state-approved apprenticeship programs can be found on the California Department of Industrial Relations website¹⁴. Similarly, sponsors may register pre-apprenticeship programs with DAS that prepare individuals to enter apprenticeship programs.

There are a few examples of California jurisdictions that have adopted tailored apprenticeship and Local Hire requirements, sometimes referred to as *targeted hire* policies. Local jurisdictions implementing targeted hire policies identify community partners with whom contractors and unions should coordinate or create a pre-apprenticeship pipeline to boost local resident and local school participation. Targeted hire policies are memorialized through a Community Workforce Agreement (CWA) or Project Labor Agreement (PLA), which is described in more detail below in the Local Hire Requirements section.

Local Laws Applicable to Publicly Funded Projects

Project Labor Agreements (PLAs) and Community Workforce Agreements (CWAs)

Project Labor Agreements (PLAs), sometimes known as Community Workforce Agreements (CWAs), are the primary mechanism for workforce labor requirements at the local level. According to California Public Contract Code Sections 2500 - 2504, a Project Labor Agreement (PLA) is a "pre-hire collective bargaining agreement" between labor organizations and a State awarding authority who administers the public work contract. Projects subject to PLAs and CWAs are unique to each agreement and are included in the "Covered Projects" section of each PLA/CWA.

¹⁴ <https://www.dir.ca.gov/databases/das/aigstart.asp>

Project Labor Agreements (PLAs) and Community Workforce Agreements (CWAs)

A Project Labor Agreement (PLA) is a “pre-hire collective bargaining agreement” between labor organizations and a contract awarding authority. Specific conditions of employment and a scope for covered projects is laid out below. PLAs cannot discriminate against contractors based on their union status and must provide for apprentice participation. Every PLA will define “Covered Projects”, which lays out the criteria for which projects are applicable under the PLA.

Community Workforce Agreements (CWAs) are synonymous with PLAs. Both the PLA and the CWA refer to pre-hire agreements between an awarding authority and labor organizations for construction contracts, but the term CWA has the connotation of including provisions for local hiring and disadvantaged workers. However, these provisions can also be accomplished in PLAs. Under the PLA/CWA, a union referral hiring system is established where contractors must hire workers based on union hiring hall referrals. In the PLAs/CWAs that BAE reviewed, exceptions are made for the contractor’s “core workers” and for the situation when union hiring halls cannot make a qualified referral within a given time—usually two days.

Based on reviews of multiple City PLAs/CWAs and information gathered from experiences from interviews with experienced cities , the following are common points of negotiation between the city/contractor and labor organizations:

- **Duration of the Agreement.** The duration of the PLA/CWA can vary depending on the needs of the contractor and labor organizations.
- **Covered Projects.** Cities choose to cover different types of projects. Some agreements cover all city construction contracts over the threshold, while others include only projects in a capital improvement plan. The criteria can be categorical (for example, only school facilities), financial (for example, only projects with an engineer’s estimated cost of \$1 million or more), or project specific (the case where a municipality has particular projects in mind).
- **Local Hire Goals.** Agreements include a Local Hire goal represented as a percentage of hours worked on a project. How a local resident is defined varies by PLA/CWA. In addition, some Agreements include socioeconomic factors, where the Union will first have to consider whether the worker is disadvantaged, as well as whether the worker live in the local area.
- **Apprenticeship/Workforce Development Goals.** In addition to Local Hire goals, some Agreements include specific apprenticeship hour requirements. Unions and contractors may have to reach out to a designated workforce development partner for referrals. Socioeconomic considerations may also apply to the apprenticeship requirements.
- **Monitoring and Compliance.** A designated agency, department, or private contractor is assigned to enforce the agreement and monitor compliance.

Appendix A: Common Implementation Mechanisms

Proponents of PLAs and CWAs will point to benefits such as improving local economic conditions, boosting the workforce training pipeline, and increased project safety and quality from the hiring hall-referred labor while opponents will point out the difficulty in finding labor for certain trades and decreased bid competitiveness.

APPENDIX B: SURVEYED CITY POLICIES AND INTERVIEWS

BAE interviewed 11 staff members from seven cities to learn about their experiences with a variety of adopted workforce policies/programs for public works projects and/or private housing projects. Policies of interest for each city, while not completely exhaustive, can be found below in the interviews summary. Interviewees worked in a variety of roles within different sections of city government, including Planning Departments, City Managers Offices, and Workforce Development Offices.

City Interviews and Policies

BAE reached out to the cities of Dublin, Hayward, Long Beach, Los Angeles, Pasadena, Santa Ana, San Jose, San Francisco, Glendale, Santa Monica and Richmond for an interview. Out of the 11 cities that were contacted, San Jose and Richmond were not available for interviews. While Berkeley was not interviewed, due to the passing of their highly relevant Hard Hats ordinance, which occurred after the interviewing process, information about their new ordinance was included in the report, as well. For Glendale and Santa Monica, staff from both cities were able to confirm that neither have labor policies such as the ones analyzed in this report that would apply to any housing project. Each of these cities interviewed were contacted to determine whether they had an applicable workforce program and how they perceived their experience with the program. Policy information and any key experience shared via the interview is included for those cities interviewed.

The cities interviewed were chosen because they are in California and have adopted one or more labor requirements, at the city level, related to the Prevailing Wage, STW, Local Hire, and/or Workforce Training/Apprenticeship policy categories that are the subjects of interest for this report. Table 6 summarizes the extent to which a city-administered program exists in the following categories: Prevailing Wage Requirement, STW, Local Hire Goals, and Training/Apprenticeship Goals. The table also includes information regarding the existence of a PLA or CWA in each of the seven surveyed cities.

In summary of the interviews, it was found that none of the surveyed cities have a Prevailing Wage program that applies to unsubsidized housing construction projects on a broad scale (for example, a policy that would apply to all housing projects). However, Los Angeles represents a more limited application of a municipality-driven private project-applicable Prevailing Wage policy. In the case of The City of Los Angeles, the city adopted a policy that allows developers a general plan amendment/zone change under Measure JJJ in exchange for paying workers on the project a Prevailing Wage, among other requirements.

Pasadena, Hayward, Santa Ana, and San Francisco also have voluntary workforce policies/programs that apply to private housing projects. In Pasadena, the city incentivizes

Appendix B: Surveyed City Policies and Interviews

developers to hire local residents with a tax rebate. In the City of Santa Ana, its Inclusionary Housing Ordinance includes a STW provision as part of an alternative compliance mechanism. In San Francisco, the city encourages local hiring through its CityBuild program.

For cities with PLAs and CWAs, the pre-hire agreements do not necessarily expand the scope of projects subject to Prevailing Wage, but instead promote local interests through workforce requirements. In these cases, the PLA/CWA agreements may add Apprenticeship or Local Hire requirements, but do not expand the scope of Prevailing Wage projects beyond public works projects. All the cities have either a PLA or CWA and all have adopted a form of a Local Hire goal and/or a Training/Apprenticeship requirement. All PLAs and CWAs exclusively apply to public works projects.

There were also cities that had a workforce training requirement as part of their non-PLA/CWA ordinances. For example, three of the cities that were interviewed—Los Angeles, Pasadena, and San Francisco—set Local Hire Goals as part of a non-PLA/CWA related ordinance, whereas four of the surveyed-cities—Hayward, Los Angeles, Pasadena, and San Francisco—adopted programs for Training or Apprenticeship Requirement as part of a non-PLA/CWA related ordinance. As mentioned, Berkeley also adopted a workforce-related policy through an ordinance.

Table 6: Summary of City Workforce Policies/Programs

	City Administered Labor-Related Program				Policy Applicable to Private Housing	
	Prevailing Wage Requirement	Skilled and Trained Workforce (STW)	Local Hire Goals	Apprenticeship Requirement	Exists	Mandatory?
	Berkeley (a)	CWA	None	CWA; Ordinance	CWA; Ordinance	Yes
Dublin	CWA	None	CWA	CWA	No	No
Hayward	CWA	None	CWA	CWA; Ordinance	No	No
Los Angeles	Ordinance	None	Ordinances; PLA	Ordinances; PLA	No (b)	No
Long Beach	PLA	None	PLA	PLA	No	No
Pasadena	PLA	None	Ordinances	Ordinances	Yes	No
San Francisco	PLA	None	Ordinances; PLA	Ordinances; PLA	Yes	No
Santa Ana	CWA	Ordinance	CWA	CWA	Yes	No

Sources: City of Dublin, 2023; City of Hayward 2023; City of Los Angeles Bureau of Contract Administration, 2023; City of Long Beach, 2023; City of Pasadena, 2023; City of San Francisco Office of Economic and Workforce Development, 2023; City of Santa Ana, 2023; BAE, 2023.

Note:

(a) Berkeley is included in this list although it is not one of the seven cities interviewed.

(b) Los Angeles's JJJ requires developers requires seeking a zone change to pay Prevailing Wage, but the number of projects built through JJJ is now negligible as other incentive programs have come into effect.

Berkeley

Citywide Community Workforce Agreement

Under the 2020 agreement, for capital improvement projects with a value of \$500,000 or more, the CWA outlines a Local Hire goal of 20 percent, under Resolution No. 68,299-N. The CWA also promotes local jobs through connecting projects with pre-apprentice training programs and the Alameda County Building Trades union.

First Source Program

Under the First Source program, publicly funded construction projects are encouraged to hire residents of Berkeley. Under a First Source Agreement signed with the city, the contractor promises to hire local residents in a good faith effort, with the city making referrals from training programs.

Hard Hats Ordinance

On May 2, 2023, Berkeley passed the Helping Achieve Responsible Development with Healthcare and Apprenticeship Training Standards (Hard Hats) Ordinance. The first ordinance of its kind, the law requires contractor prequalification for any construction project with a floor area of 50,000 square feet or more. Notably, the ordinance uses the term “Covered Project”, to refer to projects subject to the ordinance, a term which is directly borrowed from the PLAs and CWAs that typically apply to public works.

Covered Projects must satisfy an apprenticeship requirement and a healthcare requirement. The apprenticeship requirement can be satisfied either by participation in an apprenticeship program or through making equivalent contributions to the CAC fund. The healthcare requirement can be satisfied through proving the contractor is contributing to a healthcare plan for their workers. The ordinance became effective on January 1, 2024.

Dublin

Citywide Community Workforce Agreement

In January 2022, after more than year of negotiation, Dublin adopted a Community Workforce Agreement between the City of Dublin and the Building and Construction Trades Council of Alameda County (the Union) and its Affiliated Unions under Resolution No. 05-22.

The CWA applies to all City construction contracts where the bid amount is equal to or exceeds \$1 million. Projects covered under the CWA would already be subject to State Prevailing Wage and Apprenticeship requirements for public works projects, but the agreement includes provisions that benefit the community, including workforce development and boosting local employment. Contractors bidding on a city contract must consult with the Union for hiring referrals. If the Union is unable to provide an appropriate referral within two days, the contractor can then choose workers from any source. A limited number of Core Workers, who are long-term workers with a history of employment with the Contractor who are possibly non-Union, may be staffed on projects.

Appendix B: Surveyed City Policies and Interviews

Parties to the CWA set a goal of staffing 20 percent, applicable to both journeypersons and apprentices, of all project construction hours with residents who permanently live in the Local Area, which is defined as any portion of Costa Mesa County or Alameda County within a 15-mile radius of Dublin's City limits. The Union must make a demonstrated good faith effort to refer Local Residents.

To promote the training of local talent, contractors must hire one New Apprentice, which refers to a Local Resident enrolled in an approved apprenticeship training program for two years or less, for the first \$1 million of construction cost, and then one additional New Apprentice for every \$5 million. The New Apprentices must work at least 10 percent of total project hours.

The CWA also sets the goal of partnering with the Construction Trades Workforce Initiative (CTWI) and the Center for Military Recruitment, Assessment and Veterans Employment's "Helmets to Hardhats" program to develop a local pipeline to connect Local Residents, especially those of a disadvantaged background and veterans, to opportunities in the Building and Construction Trades.

As of December 2022, no project has yet to be started or completed that is subject to the CWA. Therefore, the agreement's efficacy is yet to be assessed. The City of Dublin does not set requirements that trigger Prevailing Wage, nor does it require STW on any projects.

Hayward

Citywide Community Workforce Agreement

In November 2016, a motion was passed by City Council to adopt the Citywide Community Workforce Agreement. In July 2017, Hayward signed the Community Workforce Agreement between the City of Hayward and the Building and Construction Trades Council of Alameda County (the Union) and its Affiliated Unions.

The CWA applies to all City construction contracts where the bid amount is equal to or exceeds \$1 million. Projects covered under the CWA would already be subject to State Prevailing Wage and Apprenticeship requirements for public works projects, but the agreement includes provisions that benefit the community, including workforce development and boosting local employment. Contractors bidding on a city contract must consult with the Union for hiring referrals. If the Union is unable to provide an appropriate referral within two days, the contractor can then choose workers from any source. A limited number of Core Workers, who are long-term workers with a history of employment with the Contractor who are possibly non-Union, may be staffed on projects.

Parties to the CWA set a goal of staffing 30 percent, applicable to both journeypersons and apprentices, of all project construction hours with Hayward Residents, especially graduates of the Hayward Unified School District (HUSD), who have a permanent residence within City limits.

Appendix B: Surveyed City Policies and Interviews

The Union must make a demonstrated good faith effort to refer Local Residents. If the Contractor fails to meet the goal or demonstrate a good faith effort, 10 percent of the contract value will be retained until remedied, such as by hiring Hayward residents on other projects. If the Contractor has employed a Hayward Resident in the appropriate trades, they can use 50 percent of that employees project hours as a credit toward the current project's goal, given that certain requirements are met.

To promote the training of local talent, contractors must hire one New Apprentice enrolled in an approved apprenticeship training program for two years or less, for the first \$1 million of construction cost, and then one additional New Apprentice for every \$5 million. Half of the New Apprentice hours should be worked by a Hayward New Apprentice. The City will refer the names of candidate Hayward Residents and Hayward New Apprentices to the Union and Contractors, with a goal of placing at least ten candidate workers on jobsites each year.

Besides partnering with HUSD, the CWA also sets the goal of partnering with the Construction Trades Workforce Initiative (CTWI) and the Center for Military Recruitment, Assessment and Veterans Employment's "Helmets to Hardhats" program to develop a local pipeline to connect Hayward Residents, especially veterans, to opportunities in the Building and Construction Trades.

According to the Hayward CWA Local Hire Update presentation on March 3, 2023, five projects and their Local Hire statistics are discussed, including a park project, sewer improvements, the construction of a fire training center, waterline improvements, and a program called Safe Routes for Seniors. Overall, the Local Hire attainment is at 19 percent, below the 30 percent goal. However, the Local Hire attainment varies from project to project, with some projects, such as the Mission Boulevard Linear Park Project, seeing a 45 percent Local Hire attainment. Variations also occur between the trades in terms of Local Hire attainment, with Iron Workers seeing the highest rate at 37 percent, and Operating Engineers seeing only four percent. Conditions in the local market, as well as how expansive the Local Area is, may affect a Union's ability to refer workers who meet the criteria of a Local Resident.

City of Hayward Downtown Specific Plan and Code

Adopted in April 2019 by Hayward City Council, the Downtown Specific Plan and Code presents a vision for future growth and development in Downtown Hayward. As part of the City's vision, broad Policies and associated Programs are established. Within "Goal 6: Economic Development", which seeks to capitalize on the revitalization of downtown, "Policy ED 5: Skilled Labor Force" is established, which encourages developers to require that their contractors "utilize apprentices from state-approved, joint labor-management training programs, and to offer employees employer-paid health insurance plans." Furthermore, Program ED 16 would "require contractor prequalification for projects 30,000 square feet or larger to ensure compliance with apprenticeship and health care policies." The timeframe for this program is described as "Ongoing", as opposed to other categories such as "Short", "Mid", and "Long".

Appendix B: Surveyed City Policies and Interviews

Program ED 16 refers to a current section of the City of Hayward Municipal Code Section 10-28.5.3.020 (B), which requires that development projects 30,000 square feet or greater, in addition to a site plan review, must “comply with contractor prequalification requirements”, which includes utilizing apprentices from state-approved training programs, and offering employees health insurance. Beyond the paragraph-long section describing the prequalification requirements, no further details are provided in the Municipal Code regarding program compliance or administration. Data regarding the program’s efficacy is not available publicly.

One publicly available document issued for Hayward’s Fire Station #6 project, a Request for Prequalifications issued in September 2019, lays out the process for contractor prequalification in the City. Documents must be submitted to the City that the contractor has a history of performance, compliance with any applicable law, and completion and quality work of past performance. A score is generated by the City to assess contractors. It is unclear whether Program ED 16 has the power to require apprentices and employer insurance, or whether the program is in place to ensure that contractors that would already be subject to those requirements comply.

City of Los Angeles

Departmental Community Workforce Agreement

In October 2021, the City of Los Angeles Department of Public Works adopted a Departmental Project Labor Agreement between the City of Los Angeles and the Los Angeles/Orange County Building and Construction Trades Council.

The PLA applies to all Public Works Capital Improvement Program (CIP) projects that are listed in the Public Infrastructure Program Series List (PIPS), as determined by the Board of Public Works. Projects include wastewater, municipal facilities, and street improvements, among others. Projects covered under the PLA would already be subject to State Prevailing Wage and Apprenticeship requirements for Public Works projects, but the agreement includes provisions that benefit the community, including workforce development and boosting local employment.

Contractors bidding on a city contract must consult with the Union for hiring referrals. If the Union is unable to provide an appropriate referral within two days, the contractor can then choose workers from any non-union source of Local Residents and Transitional Workers. If after another two days, the Contractor is unable to hire Local Residents and Transitional Workers, workers from any source may be hired. Compliance is actively monitored by the Bureau of Contract Administration, one of multiple bureaus of the Department of Public Works, through a Contractor-submitted employment plan and the designated Jobs Coordinator. The Bureau will also provide educational materials for the Contractors to increase the chances of successful compliance.

Appendix B: Surveyed City Policies and Interviews

Parties to the PLA set a goal of staffing 30 percent, applicable to both journeypersons and apprentices, of all project construction hours with residents who permanently live in Tier 1 and Tier 2 ZIP Codes, with a preference given to workers living in Tier 1 ZIP Codes. Tier 1 ZIP Codes include those ZIP Codes containing at least two census tracts where the median household income is less than 50 percent of the County median annual household income and/or the unemployment rate is greater than 200 percent of the County unemployment rate. Tier 2 ZIP Codes include those ZIP Codes containing at least two census tracts where the median household income is less than the County median annual household income and/or the unemployment rate is greater than 100 percent of the County unemployment rate.

In Los Angeles, a Local Resident is either considered to have a permanent residence in the listed ZIP Codes or is a Transitional Worker. A Transitional Worker is a City resident who either has Veteran status, has had a history of involvement with the criminal justice system, or has experienced homelessness. If those criteria cannot be met, other socioeconomic and employment factors can be considered. The project's jobs coordinator will make the determination for who qualifies as a transitional worker.

In addition to the 30 percent Local Resident target, Contractors must commit to staffing Transitional Workers to 10 percent of all work hours, which can also be applied to the Local Resident target. The PLA wishes to promote workforce development by requiring that 20 percent of journeyman hours be worked by apprentices, and that half of those apprenticeship hours be Local Residents.

Specific workforce training partners mentioned in the PLA include the Center for Military Recruitment, Assessment and Veterans Employment's "Helmets to Hardhats" program and any pre-apprenticeship program approved by the National Building Trades.

According to the Bureau of Contract Administration's PLA Report, between July 2011 and March 2023, across 134 Department of Public Works projects, all targets have been exceeded. 38 percent of project hours have been worked by Local Residents and Transitional Workers, compared to the 30 percent goal. 23 percent of project hours have been worked by apprentices, compared to the 20 percent goal. 62 percent of apprenticeship hours have been staffed by Local Residents compared to the 50 percent goal. 18 percent of total project time has been worked by Transitional Workers compared to the 10 percent goal.

Proposition HHH and the City of Los Angeles HHH Project Labor Agreement

Proposition HHH was approved by voters in 2016 for the issuance of a \$1.2 billion bond to fund housing for homeless individuals and those at risk of homelessness. As part of the Measure, requirements for compliance with a PLA were adopted via Ordinance No. 185523 in 2018, which requires that Developers use a Union referral system and commit to Local Resident hire

Appendix B: Surveyed City Policies and Interviews

and other targeted hire requirements for Permanent Supportive Housing (PSH)¹⁵ projects. To qualify for HHH funding, which takes the form of a 3 percent loan to be used as part of a capital stack to fund a housing project, a PSH project may be considered if at least half of the units are set aside for individuals experiencing or is at risk of homelessness. A service provider, which dispenses services to the formerly unhoused residents, must be included in the project's plans, as well, among other requirements.

Measure HHH developments must comply with a Measure HHH-specific PLA that “promotes the hiring and continued employment of local residents, including those that may be classified as transitional or disadvantaged workers.” The PLA for Proposition HHH is similar to the Departmental PLA and is administered by the same body, the Bureau of Contract Administration. While the goals for Local Resident, Transitional Worker, and apprentices are the same as the Departmental PLA, the key differences are in the Covered Projects and in the definition of Local Residents. Like the Departmental PLA, Covered Projects would likely constitute Public Works, since the finance stack of a PSH project will draw from multiple public sources, including HHH loans and other sources. The HHH PLA, therefore, likely does not expand the number of projects subject to Prevailing Wage.

Covered Projects in the HHH PLA include PSH projects where the number of units is greater than 65 units or where the Total Development Cost is equal to or greater than \$5 million. In the HHH PLA, Tiers 1 and 2 in the Departmental PLA now correspond to Tiers 2 and 3, respectively. A new Tier 1 definition is introduced, which includes the ZIP Codes in a 5-mile radius of the project's location where either the annual household income is less than the County's median household income, or the worker's annual household income is less than County's median household income. Unions will refer workers according to their Tier, if possible.

According to the Bureau of Contract Administration's PLA Report, between July 2011 and March 2023, across 26 Proposition HHH projects, all targets have been exceeded. 44 percent of project hours have been worked by Local Residents and Transitional Workers, compared to the 30 percent goal. 24 percent of project hours have been worked by apprentices, compared to the 20 percent goal. 56 percent of apprenticeship hours have been staffed by Local Residents compared to the 50 percent goal. 17 percent of total project time has been worked by Transitional Workers compared to the 10 percent goal.

Measure JJJ

In November 2016, voters in the City of Los Angeles approved Measure JJJ, which is also known as the Build Better LA Initiative. Measure JJJ requires housing developments with ten or more

¹⁵ According to California Health and Safety Code Section 50675.14, a housing development is PSH if it (1) is designed for, and occupied by formerly unhoused persons in need of services with certain disabilities (including mental illness, substance abuse disorders, chronic health conditions, etc.), (2) is intended to be the tenant's permanent residence, (3) is accompanied by voluntary supportive services (case management, health services, etc.), (4) has a legally binding agreement that specifies the responsibilities of the tenant and housing sponsor.

Appendix B: Surveyed City Policies and Interviews

units that receive a General Plan amendment to meet Local Resident, Transitional Worker, and Apprenticeship requirements, as well as paying Prevailing Wage on the construction site. Measure JJJ's intention was to encourage the production of affordable units and quality jobs in exchange for incentives that benefit the Developer. Any general plan amendment or zoning change would allow 35 percent greater density in exchange for a five percent set-aside for Extremely Low-Income (ELI) households, or six percent set-aside for Very Low-Income households, or a 15 percent set-aside to Low-Income households. Another option was offered for zone changes from non-residential to residential uses. The voter initiative, separately, created the popular Transit Oriented Communities program to encourage higher density and affordable housing near transit stops.

Ordinances No. 186483 and No. 184745 were passed in 2019 and 2016, respectively, which specify the labor standards for Measure JJJ, including the addition of code provisions to Sections 11.5.6, 11.5.8, and 11.5.11 of the Los Angeles Municipal Code, and to Section 12.22 of the Los Angeles Administrative Code. Although the labor standards are not implemented via a Project Labor Agreement, as in the case of Proposition HHH and the Departmental PLA, but rather through amendments to City municipal and administrative code, the Bureau of Contract Administration is still responsible for administering the labor standards.

The 30 percent local resident hours goal and the 10 percent Transitional Workers hours goal remain the same as in the PLAs. However, the labor standards differ significantly in other regards. Perhaps the two most important differences are that (1) the standards may apply to private housing developments, not necessarily using public funds and not necessarily considered to be public works, and (2) the standards do not refer to a Union referral system through hiring halls for staffing. Developers, instead, must show a documented good faith effort, verified by the Bureau of Contract Administration, to hire Local Residents, Transitional Workers, and Apprentices. Two apprentices from an approved program must be staffed on the project and at least 60 percent of worker hours must be staffed by those have graduated from an apprenticeship program or are currently in an apprenticeship program.

The definition of a Local Resident differs from the ones used in the PLAs, simply referring to a resident of the City of Los Angeles. The Local Resident goal also requires that the worker live within five miles of the housing project. Transitional Workers refer to individuals who live in a ZIP Code that includes at least one census tract where median annual income is less than \$40,000 (Economically Disadvantaged Area) or less than \$32,000 (Extremely Economically Disadvantaged Area), and faces two socioeconomic barriers, which includes experiencing homelessness, lacking a high school diploma or GED, among others.

According to a report from UC Berkeley's College of Environmental Design's Real Estate Development & Design Program and Los Angeles thinktank Laplus entitled "Measure JJJ: An Evaluation of Impacts on Residential Development in the City of Los Angeles" (May 2019), JJJ project applications contributed to 24 percent of total units in the City's housing project

applications in 2017. Once the Transit Oriented Communities (TOC) program was implemented in late 2018, Developers switched to the TOC program, which constituted 21 percent of total units in 2018. JJJ units fell to eight percent in 2018. The results are consistent with information shared during an interview with the City, where staff stated that about 6,500 units were produced during the program's peak. According to the City, the popularity of the TOC and Density Bonus programs, which do not have the same labor requirements, have superseded JJJ's popularity. In 2022, housing construction under JJJ stood at 165 units per year, all in 100 percent affordable housing projects. The reason for the decline given by City staff includes the decrease in land suitable for profitable development where a General Plan amendment or zone change would be necessary. Most opportunities to capitalize on zoning changes have already happened. Generally, the UC Berkeley study characterizes Measure JJJ as a program that resulted in fewer proposed developments in the City overall, with some Developers cancelling projects to avoid higher construction costs. In addition, the study lauds the TOC program as allowing for a greater flexibility and exchange of value between the City and Developers, allowing for affordable housing production goals to be more successfully obtained, all without a General Plan amendment or zone change.

Long Beach

Project Labor Agreement

In February 2021, the Long Beach City Council adopted a motion to enter into a Project Labor Agreement. In October 2021, the City of Long Beach signed a Project Labor Agreement between the City of Long Beach and the Los Angeles/Orange County Building and Construction Trades Council.

The PLA applies to all city demolition, construction, and rehabilitation construction contracts where the bid amount is equal to or exceeds \$1 million for right of way projects and \$750,000 for non-right of way projects. Projects covered under the PLA would already be subject to State Prevailing Wage and Apprenticeship requirements for Public Works projects, but the PLA includes provisions that benefit the community, including workforce development and boosting local employment. The PLA explicitly states the Unions will be the primary source of labor. Contractors bidding on a City contract must consult with the Union for hiring referrals. If the Union is unable to provide an appropriate referral within two days, the contractor can then choose workers from any source. A limited number of Core Workers, who are long-term workers with a history of employment with the Contractor who are possibly non-Union, may be staffed on projects.

Parties to the PLA set a goal of staffing 40 percent, applicable to both journeypersons and apprentices, of all project construction hours with Local Residents who live either in Tier 1 ZIP Codes (all within Long Beach) or Tier 2 ZIP Codes (within the surrounding Gateway Cities). The Union must make a demonstrated good faith effort to refer Local Residents. A goal of ten percent is set for the employment of Transitional Workers (defined similarly to Los Angeles' PLAs) and veterans for Apprentices. The PLA states that referral mechanisms are not yet

Appendix B: Surveyed City Policies and Interviews

established for these categories of worker. A PLA Administrator at Pacific Gateway, a multi-city workforce development center, coordinates with the Contractor to ensure compliance.

To promote the training of local talent, the Union agreed to support the operation of pre-apprentice referral programs in Long Beach. The Union has agreed to work with the PLA Administrator for referrals, as well as the Apprenticeship Readiness Fund staff within the Long Beach Unified School District. The Long Beach Community College District's MC3 Pre-Apprenticeship program was another named partner. A Jobs Coordinator must be hired by the Contractor to connect Local Residents with site job opportunities.

The PLA also sets the goal of partnering with the Construction Trades Workforce Initiative (CTWI) and the Center for Military Recruitment, Assessment and Veterans Employment's "Helmets to Hardhats" program to develop a local pipeline to connect Local Residents, especially those of a disadvantaged background and veterans, to opportunities in the Building and Construction Trades.

According to a City of Long Beach press release from June 2017 titled "City of Long Beach Exceeds Project Labor Agreement Hiring Requirements", previous Citywide PLAs have met or exceeded targeted hire goals. Across the 15 projects the PLA had applied to, 41 percent of working hours were from Long Beach and Gateway City Residents and 14 percent were from the Disadvantaged Worker (now Transitional Worker) and Veteran categories. Nearly 20 percent of hours were from Long Beach Residents specifically.

New City Policies

According to an interview with City staff, outside of PLAs, they are not aware of anything in the zoning code or in housing policies that require Prevailing Wage, STW, a Local Hire goal, or Workforce Training and Apprenticeship requirements.

Currently, Long Beach is devising new ways to collaborate with Pacific Gateway, the multi-city workforce development agency, on achieving long range planning goals. The City's Title 22 code, which will replace the existing zoning code in Title 21, may include policies that would incentivize certain workforce goals in exchange for development incentives such as increases in floor area ratio and maximum allowable density. If such a policy were to be implemented, it would be voluntary and not a mandatory universal policy. Such a policy is in the early stages of development and more information is not currently available.

Pasadena

First Source Local Hiring Program

The City of Pasadena adopted the First Source Local Hiring program in 2004 (Pasadena Municipal Code, Title 14, Section 14.8), which incentivizes or requires Local Hire depending on the scope of project. The mandatory requirements for the program apply to projects receiving some sort of city financial assistance, whether through a grant, access to land, below-market

Appendix B: Surveyed City Policies and Interviews

financing, or any other action that may financially benefit the developer. While the exact requirements are negotiated on a project basis, a typical requirement is that 15 percent of wages, as opposed to a percent of project hours as is seen in other programs, must be dedicated to City of Pasadena residents. The motivation behind setting a wage requirement, as opposed to a project hour requirement for Local Residents, is that focusing on wages would keep more money circulating in the local economy. The developer must submit payroll records proving compliance with the program.

The voluntary participation option is specifically targeted towards private construction projects that do not receive financial assistance from the City. A developer of a private construction project would enter into a first source hiring agreement at the time of the issuance of permits with the city in exchange for a rebate on the City construction tax, which would be 50 percent of salary and benefits for up to 75 percent of the construction tax that the project would have to pay otherwise. Under the voluntary program, there would be no minimum requirement. The developer would have to submit payroll records proving compliance with the program.

According to an interview with City staff, two to three projects per year comply with the program's standards, which are mostly public works projects that comply mandatorily. In the history of the program, three residential projects have voluntarily initiated the process of complying with the program. A project may voluntarily choose to comply with the First Source program when there is a discretionary process, and the project wishes to provide benefits to the community to build community support. While the financial benefit of a construction tax rebate exists, the benefit does not outweigh compliance costs. Of the three projects that started the process, one multifamily project fully complied and received a tax rebate.

An article written in the Pasadena Star New from February 2011 titled "City's local hiring program has placed 99 workers since 2004" provides details regarding the program's record. While the article is more than 12 years old at the time of this document's publication, it was reported that in the first seven years of the program, 99 Local Residents had been employed through the program and \$909,000 of wages had stayed within the Pasadena community. Roughly, this corresponds to a rate of about \$83,000 per year.

San Francisco

First Source Hiring Program

The First Source Hiring Program (FSHP) was created in 1998, through Ordinance No. 264-98, as Chapter 83 of the San Francisco Administrative Code. The program requires that Covered Employers make good faith efforts to hire San Francisco residents from an economically disadvantaged background for entry-level and apprentice positions. The Workforce Development System, housed within the San Francisco Office of Economic & Workforce Development (OEWD), refers qualifying workers, who are then given priority during hiring. Employers must provide OEWD employment referrals with the first opportunity for hiring.

Appendix B: Surveyed City Policies and Interviews

The FSHP applies to Covered Employers, which includes businesses with city contracts of at least \$50,000 or at least \$350,000 for construction projects, developers or contractors building 25,000 square feet or more of construction, businesses with a City property lease, developers with building permits for residential projects with at least 10 units, as well as any tenants conducting business in the residential project, cannabis businesses, and other projects chosen by the Board of Supervisors.

One definition of “economically disadvantaged” used by the FSHP includes “an individual who is at risk of relying upon, or returning to, public assistance, including unemployment benefits” as determined by the First Source Hiring Administration (FSHA). The FSHA includes the Mayor or the Mayor’s Office of Economic and Workforce Development, the Executive Director of the Human Services Agency, the Director of the Mayor’s Office of Community Development, the Chair of Workforce Investment San Francisco, the Chancellor of the City College of San Francisco, and other City employees. OEWD provides and manages staff for the FSHA.

All Covered Employers must set a hiring plan and coordinate with the appropriate FSHA. Covered Employers in the commercial and residential development category, which includes private housing projects, must meet with CityBuild, the City’s construction training workforce program, before submitting building permits, to enter into a first source hiring agreement. The agreement will include “the estimated number of employees from each trade to be used on the project, including entry- and apprentice-levels, the anticipated wages for those employees, whether or not employers will pay Prevailing Wage for those employees, and, if known, the estimated number of local residents to be hired.” All Covered Employers are subject to fines starting at \$5,000 for non-compliance, although, according to City and County staff, CityBuild’s goal is to work with employers to meet the program’s goals and fines are seldom issued.

According to an OEWD presentation from September 2022 titled “First Source Hiring Program: Advancing Equitable Economic Recovery”, during Fiscal Year 2021 to 2022, 229 employers participated in the program, with 1,057 job postings and 1,483 placements. In an interview with the City, it was shared that the FSHP, before the adoption of the mandatory Local Hire Policy for Construction (LHPC), achieved an 18 percent attainment of San Francisco resident labor hours.

Local Hire Policy for Construction

In 2010, the Board of Supervisors passed Ordinance No. 311-10 to create the Local Hire Policy for Construction (LHPC), whose purpose is to “create mandatory local hiring requirements” for public works contracts. The program is found in Chapter 82 of the San Francisco Municipal Code. Public works projects with a construction cost of \$600,000 or more, construction projects on City-owned land, and construction projects on land sold by the City for the purposes of housing development are all subject to the LHPC. Private housing developments on City-owned land subject to the policy are managed through development agreements.

Appendix B: Surveyed City Policies and Interviews

The policy mandates 30 percent of all project hours within each trade be performed by Local Residents, which are those who live permanently in San Francisco. At least 15 percent of all project hours must be worked by Disadvantaged Workers, which is a Local Resident who either live in a census tract within San Francisco with an unemployment report of at 150 percent of the citywide unemployment rate or has a household income of less than 80 percent of the Area Median Income or meets certain socioeconomic barriers. For Apprentices, at least half of all hours must be worked by Local Residents, and 35 percent by Disadvantaged Workers. Monitoring and compliance are carried out by OEWD. If a contractor does not comply, the penalty may be as high as the Prevailing Wage rate times number of hours short of the established goal. According to an interview with the City, the LHPC differs from the FSHP in that the LHPC is enforceable through the City's contract power, as opposed to through an agreement, as is the case with the FSHP. To enforce the contract, the City does not have to go to court, so the policy's enforcement is more easily facilitated.

Since the adoption of the LHPC, Citywide Local Resident project labor hour attainment has increased from 18 percent to 33 percent, according to OEWD's 2022 Local Hire Report. The Mayor's Office of Housing and Community Development (MOHCD) and private development agreements brought many contractors of housing projects into the LHPC fold for the first time in 2022. MOHCD assists residents with finding affordable housing opportunities and connects developers with financing sources for affordable housing. According to the Local Hire Report, housing contractors still "need to adjust their workforce to meet the requirements". Eight of the 176 active LHPC projects (4.5 percent) were private housing developments on City-owned land managed through a development agreement. Seven of the 176 active LHPC projects (four percent) were affordable and permanent supportive housing projects developed with the assistance of MOHCD.

Of the eight development agreement projects, five are different components of the Mission Rock project, a waterfront mixed-use neighborhood that includes 1,200 residential units, 40 percent of which are income restricted. Two are components of the Forest City (FC) Pier 70 project, a mixed-use neighborhood which includes between 1,100 and 2,150 residential units, 30 percent of which will be income restricted. Both Mission Rock and FC Pier 70 are partnerships between the Port of San Francisco and private developers. One project is from 30 Van Ness, and includes a mixed-use skyscraper, which will include 333 condominiums, 10 percent of which will be sold as affordable housing. One is from the Portero Power Plant Station (PPS) project, which will be a new waterfront neighborhood on the site of a former coal power plant, and include 2,601 units of housing, 30 percent of which will be below market rate. Development Agreement projects have a 24 percent Local Resident attainment and a 46 percent attainment for apprentices, which are both slightly below the goals of 30 percent and 50 percent, respectively. Of the seven MOHCD projects, all of which are affordable housing or permanent supportive housing, a 24 percent Local Resident attainment and 34 percent Local Resident apprentice attainment were achieved.

CityBuild

A part of OEWD's Workforce Development Division, CityBuild offers Local Residents construction pre-apprenticeship and administration training. CityBuild assists contractors and developers in developing a plan for Local Hire, posting opportunities suitable for new hires and apprentices to Employment Network Services, working with workforce training programs to connect local talent to jobs, among other services. All Covered Employers in the FSHP's commercial and residential building category must meet with CityBuild to establish a first source hiring agreement.

CityBuild Academy, a 12-to-18-month pre-apprenticeship construction training program, is a partnership between OEWD, the City College of San Francisco, local non-profits, labor unions, and employers. According to City staff, the partnership has been highly successful in training and connecting talent with the construction jobs mentioned in the above LHPC and FSHP programs. In addition to the first source and Local Hire programs, the City has a Citywide PLA that provides graduates of the CityBuild Academy a pathway for entry into a Union's apprenticeship program.

The CityBuild Academy is one of the few programs discussed in this report with a separate, publicly available, program-specific budget. According to the San Francisco Community College District's 2022-23 Draft Adoption Budget, the annual budget for CityBuild Academy is \$500,000. The budget line item indicates that the funding comes from the City's General Fund. According to OEWD's Department Inventory Tool for fiscal year 2021-22, CityBuild Academy is resourced with 11 full time employees and \$5.2 million in grants from the City general fund, work orders, and State Employment Training Panel (ETP) funds.

Citywide Project Labor Agreement

In February 2019, the San Francisco Board of Supervisors passed the Citywide PLA under Ordinance No. 001-19, modifying Section 6.27 of the City Administrative Code. The PLA was entered into between the City and County of San Francisco and the San Francisco Building & Construction Trades Council and affiliated Unions.

Like other PLAs and CWAs described in this report, projects that are covered by the PLA include public works projects with a construction cost estimate of at least \$1 million. A similar Union referral system and provision for Core Workers is outlined in the PLA. The PLA is unique in that goals for Local Hire and Apprenticeships are coordinated across the other City programs described, and that graduates of the CityBuild program, especially those from ZIP Codes mentioned in the PLA, are given preference for hiring purposes.

Santa Ana

Provision of the Inclusionary Housing Ordinance

In April 2022, The City of Santa Ana adopted an Inclusionary Housing Ordinance (Ordinance No. NS-3019) to promote the production of affordable housing units. The requirements would apply to any development of five or more units, whether as part of new construction, condominium

Appendix B: Surveyed City Policies and Interviews

development, multifamily development, or conversion projects. For units that are for sale, a minimum of five percent of the units will be set aside for moderate income household buyers. For rental units, 15 percent of units are set aside for low-income (LI) households, or ten percent for very low-income (VLI) households, or five percent for extremely low-income (ELI) households, or a combination of five percent LI, three percent VLI, and two percent ELI households.

Developers have the option to comply with the ordinance either through the production of on-site units, off-site units, or the payment of an in-lieu fee. Of relevance to this report is the in-lieu fee option, which requires that, if a developer pays an in-lieu fee, the developer must also employ a Skilled and Trained Workforce (STW), as defined by the State Public Contract Code Section 2601, for projects of 20 units or more. The STW requirement will be phased in such that, effective January 1, 2026, developers using this option will provide the City with a commitment that 30 percent of the project's workforce will be STW. At least 35 percent of the STW hours will also meet Local Hire policies, that will be set by the City in the future. If the developer utilizes a higher percentage STW, the in-lieu fee will be reduced from \$15 per square foot of habitable area to \$10 per square foot for a 60 percent attainment and \$5 per square foot for a 90 percent attainment.

According to an interview with City staff, data regarding the program's efficacy is not yet available as projects are not yet subject to the policy. City staff also shared that City Council minutes from June 20, 2020, and November 16, 2021, show that the provision was driven by the City Council as a result of public support. Proponents for the policy included multiple Union representatives as well as a representative from the Kennedy Commission, an affordable housing policy non-profit.

Community Workforce Agreement

In 2017, Santa Ana City Council adopted a Community Workforce Agreement between the City of Santa Ana and Los Angeles/Orange Counties Building and Construction Trades Council and affiliated Unions. Like other PLAs and CWAs described in this report, projects which are covered by the PLA include public works projects.

Project requirements in the Santa Ana CWA begin at a lower construction value than in the other cities and include construction and rehabilitation in the "prime multi-trade construction contracts" in excess of \$250,000, as well as Specialty Contracts, which refers to a single trade scoped project, in excess of \$100,000. Provisions for a Union referral system and Core Workers are like those in other PLAs and CWAs. A Local Hire goal of 30 percent is set in the CWA. In addition to Santa Ana City residents, work hours from a veteran residing in any location can also contribute toward the Local Hire goal. The Union must prioritize any referrals from the City regarding potential hires, including those from pre-apprenticeship programs.

The compliance and monitoring aspect of the CWA is performed by a private firm—The Solis Group. BAE was unable to find public information regarding the CWAs attainment of Local Hire goals.

Insights and Lessons

The interviews with the surveyed cities above provided the following insights and lessons about analyzed workforce policies/programs.

Mandatory vs. Voluntary Programs

While all the surveyed California cities that were reviewed and interviewed enforce labor requirements for traditional public works projects, the City of Berkeley has adopted a mandatory workforce program requirement for certain major construction projects. Unlike with public works projects covered under a PLA or CWA that mandatorily pay Prevailing Wage by State law and are required to hire union labor, those surveyed cities which adopted Prevailing Wage, Local Hire, apprenticeship, or STW policies for private housing construction, have done so either as a voluntary option or as an alternative compliance option to another policy. The efficacy of Berkeley's Hard Hats program will be evaluated through the years as it has only been in force since January 1, 2024.

San Francisco's First Source Local Hire policy that applies to privately funded construction projects with ten or more units, among other categories, requires that developers meet with the CityBuild program to make a good faith effort to meet a Local Hire and apprenticeship target for entry-level workers, but do not have targeted requirements with penalties for non-compliance. For a similar category of residential project, Pasadena offers a voluntary Local Hire policy, where a construction tax rebate is exchanged for dedicating a specific percentage of wages to Local Hires. In addition, although Santa Ana has a STW requirement as part of its mandatory inclusionary housing ordinance, it is only applicable when developers choose to pay an in-lieu fee as an alternative compliance measure to affordable housing production. Our interviews found that if a labor policy is required, some benefit is given to the developer in exchange. For example, in the case of Pasadena, a developer receives a tax rebate for complying with their Local Hire policies.

Policy Implementation

Staff interviewees from multiple surveyed cities shared similar views on best practices for crafting successfully implemented labor policies. One view is that a policy will only succeed if proper resources, such as staff and data are allocated to the policy and if buy-in is secured from all relevant parties within the city government. This is especially important when a program requires compliance tracking, which might necessitate the hiring of a program manager, compliance officers, and/or training of other relevant employees. One interviewee remarked that a failure to train and allocate compliance staff might result in a policy that exists only on paper.

Other interviewees expressed the need for clear and attainable Local Hire policy goals, which multiple cities set between 20 percent and 30 percent. One interviewee suggested that success depends on the ability of the city to work with developers if Local Hire goals are not being met, rather than resorting to penalties. Cities may be able to achieve greater coordination with developers if the city works closely with or directly runs a workforce training program, as is the case with some of the cities interviewed. Another interviewee emphasized that to have a successful Local Hire program, governments, unions, contractors, and community-based organizations must all work closely together.

Applicability to Housing Development Projects

City staff from at least three of the surveyed cities expressed concern at the consideration of workforce requirements on mixed-income housing without public subsidies because such requirements are typically imposed only on public works projects, or projects that are sponsored by the public sector. Projects funded fully or partially by public funds are subject to state Prevailing Wage and other requirements because local and state government agencies want their dollars to provide livable wages.

When public funds are not part of the development program, local and state governments have taken a voluntary approach to workforce requirements, if including any requirements at all. There are a few reasons for this. First, not all housing developers have experience working within these requirements, and market-rate housing developers typically lack this experience. Due to this unfamiliarity, many do not want to take on any additional real or perceived risks associated with the availability of construction labor. Second, as the literature review and cost analysis will show later in this report, there are additional costs associated with these programs.

In addition, without public subsidies, the opportunity cost to developers may discourage them from building housing, at least in the short run, after the implementation of a mandatory program. Construction markets consist of a variety of inputs whose prices are set outside of a specific project. For example, no one project will impact the cost of timber or steel used to construct the physical development, as the cost of such materials fluctuate on a global scale. Those prices are set in the region based on the supply of and demand for available labor and services. Financing costs – the cost to borrow money are also not impacted by a single project – those are set nationally based on a variety of factors, including movements by the Federal Reserve Bank in Washington, DC reacting to local and/or international economic conditions.

There are two types of cost that developers could consider when deciding to move forward with a project: developer returns and land costs. Developer returns represent the minimum amount of profits required for a developer to undertake a project. Any changes to costs, including those resulting from changes to land use policies, will impact the actual developer's return. If it drops below a minimum threshold, the developer will not undertake a project. For example, if a developer wants to make at least a 10 percent return on costs and can do so in Los Angeles,

Appendix B: Surveyed City Policies and Interviews

but not in Burbank, that developer would look for a project in Los Angeles. In another scenario, if a developer can make its minimum threshold of 10 percent in Burbank, but 12 percent in Glendale, there is still a chance the developer would choose either city. Minimum thresholds are also set regionally based on the general level of risk in the housing market and how much a developer thinks it can earn on a project of similar risk within the region. At some point, if returns drop low enough, developers stop building altogether as they did during the Great Recession and other economic downturns. Couple this with ongoing state-mandated housing production goals for local agencies, which include the City's Regional Housing Needs Assessment (RHNA) allocation of 8,772 new dwelling units by October 2029, special care should be given to vetting local policies that have the potential to reduce the production of housing, which could affect the City's ability to maintain compliance with applicable state housing laws. Lastly, the City's ability to quickly and efficiently process entitlements along with building permits without extensive red tape and community push back will also be a determining factor. Developers look for risk adverse projects in developer friendly cities that provide the ability to make a calculated return.

Land costs are the most likely to adjust in the short- and mid-terms. Land values change based on what can be built on a given site, based on density and/or Floor Area Ratio (FAR (floor area ratio) requirements. Developers do not have much opportunity to choose what they will pay for construction labor and materials, but it can more easily negotiate land prices based on potential income from development. If costs increase rapidly and landowners are unwilling to negotiate their prices, developers may not take on a new project. This is one reason why the City of Los Angeles phased in the implementation of their affordable housing linkage fee on new development – to give land prices time to adjust to the new policy.

Lastly, workforce policies/programs are widely used for projects that receive public funding. Voluntary policies, such as San Francisco's First Source Hiring Program, are seemingly becoming more common for developments not receiving public funding.

APPENDIX C: STAKEHOLDER INTERVIEWS

In addition to interviewing cities with workforce policies/programs, BAE interviewed representatives from the real estate development industry and labor unions to assess relevant stakeholders' experiences and perspectives on the use of Prevailing Wage, STW, Local Hire, and Apprenticeship policies on privately funded projects. Initial interviews were conducted in a ground roundtable setting, followed by one-on-one personal interviews. To preserve the anonymity of the interviewees, names and organizations will not be included in this summary.

Roundtable Summary

In December 2022, BAE and City of Burbank staff conducted a roundtable of developers, Burbank property owners, and union representatives to discuss perceptions about workforce policies/programs including prevailing wages, STW, Apprenticeship programs, and Local Hire requirements. Participants provided their experience with different programs and made high level recommendations. A summary of the roundtable comments is presented below.

Developers generally expressed that if prevailing wages are mandated on privately funded projects, the City will see a drop in developments that do not qualify for SB 35 streamlining. Increased density, changes to parking, and other incentives could offset additional costs from workforce requirements. However, the extent of what is needed would vary by project. Affordable housing developers who use a variety of sources that often trigger prevailing wages were not concerned about a Prevailing Wage requirement but did express that finding labor in an apprenticeship program can be challenging, particularly in those markets where there is much competition for construction labor. Local Hire requirements are more manageable, but developers were interested in targets rather than requirements.

Union representatives pointed to the benefits of development under AB 2011, which provides ministerial review of projects paying prevailing wages. They stated that union labor is generally more expensive than non-union labor because craft workers bring their own tools. Also, some contractors pay day laborers wages below minimum wages.

Development Community Interviews

As a follow-up to the roundtable discussion, BAE reached out to the participants for more in-depth interviews. Four interviewees familiar with the local real estate context, including developers of market-rate projects and of primarily affordable housing projects and real estate brokers, shared their thoughts. One of these four participants had direct experiences working on projects that were subject to both Prevailing Wage and Local Hire and apprenticeship requirements, while the other three held indirect knowledge of those policies.

Summary of Comments

The interviewees have worked on a broad range of projects, including residential, industrial, retail, mixed-use, single-family home, tower, and podium product types amongst others, across California and other states. This stakeholder group also included non-profit developers with expertise in 100% affordable housing projects.

Interviewees provided range of hard costs cost per square foot, ranging from \$300 to \$500 per square foot under prevailing wages. Taken together, the average cost across interviewees was \$393.75. The wide range may be due to the variety of product types that interviewees were involved in. Typically, the proportion of the total cost from labor is 40 percent to 50 percent, with the remainder coming from materials.

Interviewees estimated that requiring prevailing wages would increase the total project cost by 20 to 30 percent. These estimates came from direct project experience, a familiarity with literature on the subject, and internal cost studies. One interviewee shared that in response to recent California state bills that give expedited approvals in exchange for paying Prevailing Wage, their company conducted a cost study that estimated prevailing wages would increase labor costs 50 percent above market wages.

General Sentiment

The interviewees shared common concerns about introducing legislation that might make housing production more expensive while the real estate development industry is facing challenges related to an uncertain supply chain, expense inflation, labor inflation, and rising interest rates. While some local developers felt that Prevailing Wage requirements may benefit firms with existing knowledge of, and investment in the Burbank market, the overall effect would be downward pressure on the financial feasibility of new housing development resulting in lower housing production and higher rents for market-rate units. Some interviewees estimated that the City will not be able to meet RHNA goals if a mandatory Prevailing Wage requirement would be enacted as part of an inclusionary housing ordinance.

Most interviewees suggested balancing labor requirements with incentives that enhance project feasibility, either through density bonuses, changes in parking requirements, or streamlining the entitlement process. Developers were also more open to setting workforce targets around apprenticeship or Local Hire usage, rather than mandatory requirements. Generally, developers recommended policies that allow for flexibility in challenging and changing market conditions. According to a Burbank city staff interaction with a local developer, the development community may be open to a living wage if competition between union and non-union labor is maintained.

Union Representative Interviews

Two interviewees shared the labor union perspective. Both interviewees were familiar with the Southern California region and both were familiar with such policies as Prevailing Wage, Local Hire, Apprenticeship, and STW.

Summary of Comments

According to the interviewees, most but not all union jobs come from PLAs/CWAs. Increasingly, unions are reaching out directly to developers to partner on larger real estate projects. The union believes that there are tangible benefits to the use of an STW, and that more housing projects will pay prevailing wages or use an STW as the state provides more avenues to ministerial review of projects using these programs.

General Sentiment

The interviewees estimated that roughly 80 percent of jobs for union members were in public works projects, such as roads, sewers, and other infrastructure, while the other 20 percent came from housing projects—almost exclusively affordable housing. They noted that while union labor is traditionally associated with infrastructure projects, housing projects are becoming increasingly common as more state and local legislation is passed that requires Prevailing Wage or an STW.

The interviewees stressed the importance of the community benefits they believe skilled-union labor brings to the public. Specifically, they mentioned that a skilled workforce that will deliver higher quality projects more efficiently and with fewer workplace accidents.

The interviewees stated that the key to a successful Local Hire program is to set realistic goals. One interviewee had an experience on a project where an unrealistic 100 percent Local Hire goal was required. Instead, the interviewee feels that a 30 percent to 40 percent requirement is more feasible. Another interviewee cited 15 percent to 30 percent as being a reasonable goal. The interviewee also mentioned that hyper-specific requirements such as requiring hires only from certain school districts, would hinder the attainment of these goals. Generally, the more flexibility afforded to the contractor, while also keeping the contractor accountable, would result in a greater chance of attaining the goals. The interviewee affirmed the beliefs of other interviewees that union labor is highly competitive in Southern California.

APPENDIX D: LITERATURE REVIEW

To determine the quantitative and qualitative costs and benefits of Prevailing Wage and/or workforce development policies related to residential construction, BAE reviewed more than 50 academic and industry-specific articles evaluating different workforce policies/programs, their costs, and benefits. The focus of these studies was the effect of the workforce policies/programs on costs and benefits and while the studies did not single out public works projects specifically, most of the projects subject to prevailing wage and other policies are public works projects. However, the cost implications are expected to carry over to any project subject to additional labor requirements. Some sources were used for cost differential models while others were used for policy research. While interviews with local developers and union representatives provide some local information, the use of juried and peer-reviewed literature provides independent data-driven findings that can inform the City as to the potential costs and benefits of workforce policies/programs under consideration.

BAE references literature related to construction in California, and specifically the Los Angeles region, for this report because the construction environment in California varies greatly from other States in the U.S. The literature review focuses on analyses conducted since 2013, to reflect more current relationships between construction costs and labor markets. This literature review analysis is attempting to capture the costs and benefits today, rather than historically.

The literature review is divided into policy topics: Prevailing Wage, STW, Local Hire, and Apprenticeship programs. Costs and benefits of each policy topic are discussed and presented below. Where possible the report shows the range of costs and benefits identified in the literature review for later use in the quantitative analysis.

Prevailing Wage and Skilled Trained Workforce Policies/Programs

For the purposes of this literature review, the analysis considers the use of an STW synonymous with having a PLA. This assumption is based on skilled workers often being represented by local unions. While Prevailing Wage and PLA programs add noticeable project costs, according to the 2015 University of Utah Study on Los Angeles affordable housing project costs, there is no difference in the cost to build under prevailing wages and a PLA. The authors used three methodologies to compare the cost of nine PLA housing developments within Los Angeles County to 121 non-PLA (but Prevailing Wage) projects within Los Angeles County that were constructed between 2008 and 2012. The authors found no difference between the cost to build Prevailing Wage and PLA projects within the City of Los Angeles and outside of the City in Los Angeles County (*Philips and Littlehale, 2015*).

According to the literature review on Prevailing Wage and PLA programs, the cost differential from market wages can range up to 20 percent. However, there are societal and economic

benefits related to these programs, including a reduction in affected household dependence on social safety net program, as discussed below.

Direct Costs – Construction Costs

Several reports found in the literature review projected the cost differential for Prevailing Wage and/or PLA projects compared to projects that do not employ workforce development programs. BAE uses these numbers in the cost analysis to determine the potential overall cost impacts to Burbank housing development. As Table 7 shows, the percent increase on Hard Costs ranges from 12.6 percent to 22.6 percent, while the percent increase to Total Project Costs¹⁶ excluding land ranges from 7.1 percent to 12.8 percent.

Table 7: Prevailing Wage and/or Project Labor Agreement Cost Differentials

Study	Raw Differential	Unit	Hard Cost Increase
March 2020 Turner Center	17.4%	Hard Costs	17.4%
Newman, Blosser, Haycock	11.0%	Total Costs	19.4%
California Affordable Housing Cost Study	11.0%	Total Costs	19.4%
Blue Sky Prevailing Wage	22.6%	Hard Costs	22.6%
ENR October 2022 20-City average	30.8%	Labor Costs	12.6%
2021 Rand Measure HHH Study	14.5%	Total Costs	25.6%
Average			19.5%

Note:

(a) Raw Differential refers to the differential number reported in the original article. Some articles reported a differential based on hard costs, while others reported differentials based on labor costs or total project costs. This table translates those differentials as reported in each article to create a comparable range of cost differentials on both hard costs and total costs.

Sources: Turner Center, 2020; Newman, Blosser, Haycock, 2004; HCD California Affordable Housing Cost Study, 2014; Blue Sky Consulting, 2017; ENR, 2022; Rand, 2021; BAE, 2023.

The March 2020 Turner Center report on Hard Construction Costs in California used regression analysis to determine that all else equal, prevailing wages increase project hard costs by \$30 per square foot, which amounts to a 17.4 percent increase in hard costs. Two older studies, including one from the California Housing and Community Development Department (HCD) estimate the difference to be 11 percent of total project costs, excluding land. A 2017 report from Blue Sky Consulting Group found that California Prevailing Wage construction costs were 22.6 percent higher than market costs. Additional discussions within the document on potential impacts to soft costs suggest that this is their project impact on hard costs. The economics arm of the Engineering News Record (ENR) averages cost indices, wages, and material prices for the

¹⁶ Total Project Costs represent the total cost of development from idea inception to full lease and sale of development. They include hard costs, soft costs (intangible costs for legal, architectural, engineering, plan check, and other services), parking costs, developer fees, leasing and marketing fees, financing fees (costs of borrowing money), and land costs.

Appendix D: Literature Review

construction industry across 20 cities,¹⁷ including Los Angeles, and reports these metrics monthly. According to ENR, October 2022 common wages per hour (\$47.36) were 30.8 percent lower than skilled labor hourly wages (\$62.38). Finally, the 2021 Rand Corporation study that evaluated the impacts of Measure HHH's PLA requirement on new housing development estimates a 14.5 percent increase in construction costs. On average, this results in a 19.5 percent increase to hard costs, or an 11.0 percent increase on total development costs.

BAE used data from the literature review and our cost models to translate hard cost and labor cost differentials into total development cost differentials, including impacts to soft costs, to see the range of impacts as reported in the literature cited in the following table. Table 8 shows the percentage relationship between labor, hard, and total construction costs.

Table 8: Construction Cost Ratios

Construction Cost Ratios	2022
Hard cost as % of Total Cost (a)	58.9%
Labor cost as % of Hard Costs (b)	41.0%
Labor Cost as % of Total Costs (c)	24.1%

Notes:

(a) Based on 2022 Burbank cost models presented in quantitative section of this analysis. Total cost includes hard, soft, and financing costs, as well as minimum developer returns and impact fees. Excludes land costs.

(b) Based on Turner Center and HCD Cost studies.

(c) Excludes land costs.

Sources: Turner Center, 2020; HCD California Affordable Housing Cost Study, ENR, 2022; BAE, 2023.

BAE uses the average cost differential of a 19.5 percent increase on hard costs from the literature review to reflect costs under a Prevailing Wage or PLA scenario in its cost models to determine the cost to potential Burbank projects.

Indirect Costs – Number of Vendors

As stated above, the Philips and Littlehate 2015 study states that PLAs do not add more costs per square foot than a Prevailing Wage requirement. According to some of the peer cities reviewed for this analysis, PLA requirements result in a reduced number of bids for publicly sponsored projects. As private developers do not need to undertake a bidding process, this may not be an issue, but could point to fewer contractors able to supply labor. However, a study of 263 California Community College projects bid between 2007 and 2016 indicate that a PLA requirement does not statistically impact the number of firms bidding on a project relative to a Prevailing Wage requirement (*Waitzman and Philips, 2017*). Community college contractors may not overlap with market rate housing developers, limiting the applicability of these findings.

¹⁷ Atlanta, Baltimore, Birmingham, Boston, Chicago, Cincinnati, Cleveland, Dallas, Denver, Detroit, Kansas City, Los Angeles, Minneapolis, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco, and Seattle.

Indirect Costs – Number of Units

The 2021 Rand Corporation Study evaluating the effects of PLAs on affordable housing in Los Angeles discovered that developers respond to the 65-unit PLA threshold by delivering fewer units. As stated in the Peer City chapter of this analysis report, Los Angeles' Measure HHH program only applies to projects with 65 or more housing units. The 2021 Rand Corporation Study found that 45 percent of Measure HHH funded projects delivered between 50 and 64 units compared to 10 percent of non-HHH projects. Thus, in addition to a direct construction cost per square foot differential, projects requiring PLAs subject to a minimum unit threshold delivered projects just under the threshold. The 2021 Rand Corporation Study estimated that the PLA requirement resulted in the delivery of 800 fewer units (*Ward, 2021*).

Benefits: Taxpayer Cost Savings

A review of the Prevailing Wage literature indicates that there are benefits to paying prevailing wages, but those tend to benefit taxpayers rather than the individual project. According to the 2021 UC Berkeley Center for Labor Research and Education, “almost half (48 percent) of families of construction workers in California are enrolled in a safety net program at an annual cost of over \$3 billion.” Statewide, approximately one-third (36 percent) of all workers are enrolled in safety net programs.¹⁸ Taxpayers are responsible for the funding of these programs. Because market construction wages alone do not provide self-sufficiency wages, workers rely on safety net programs funded by Federal, State, and local government programs and taxpayers. The payment of prevailing wages to more construction families would reduce construction workers' need for access to these programs, benefiting the families themselves as well as taxpayers by shifting the financial burden from taxpayers funding social safety net programs to the developer. Table 9 shows the reliance of California construction families on social safety net programs.

¹⁸ Social safety net programs support low-income adults and families in meeting basic needs. Programs include Medicaid, Earned Income Tax Credit, Temporary Assistance for Needy Families, and the Supplemental Nutrition Assistance Program.

Table 9: Construction Family Annual Social Safety Net Usage, 2015-2019 Sample

Program	Construction Families		All Working Families	
	Number Enrolled	Annual Spending (a)	Number Enrolled	Annual Spending (a)
Adult Medicaid	200,000	\$1,580 Million	833,333	\$19,890 Million
Children's Medicaid/CHIP	140,000	\$830 Million	1,076,923	\$7,130 Million
Earned Income Tax Credit (EITC)	220,000	\$570 Million	1,047,619	\$6,540 Million
Temporary Assistance for Needy Families (TANF)	20,000	\$60 Million	1,000,000	\$900 Million
Supplemental Nutrition Assistance Program (SNAP)	120,000	\$310 Million	1,000,000	\$3,810 Million
Any Program	330,000		916,667	
All Programs		\$3.350 Billion		\$38.250 Billion
Construction as % of Total	36%	8.8%		

Sources: UC Berkeley Center for Labor Research and Education, 2021; BAE, 2023.

As Table 9 shows, construction workers represent 36 percent of all working families using social safety net programs in a sampling of working families taken between 2015 and 2019. However, the annual amount per construction family (\$10,150) is well below the average per family overall (\$41,730).

Benefits: Productivity

In addition to taxpayer benefits, there could be productivity gains from using an STW. A 2022 Illinois Economic Policy Institute study of the national construction industry finds that the skilled labor shortage is less severe in the union segment of the construction industry than the non-union segment. "Projects using skilled labor are 21 percent less likely to experience delays due to labor shortages, 10 percent more likely to employ an ethnic and racially diverse workforce and have 34 percent fewer health and safety violations and fatalities compared to non-union projects" (Manzo, Petrucci, and Bruno, 2022).

A 2018 Study from the Journal of Construction Engineering Management finds that projects experiencing a labor shortage experienced higher cost overruns than those not experiencing labor shortages. The Study combined data from 97 construction projects completed in the United States and Canada that were collected in two industry databases. The primary analysis showed that projects that experienced skilled workforce shortages underwent significantly higher growth in cost overruns compared with projects that did not. "Further analysis on both databases returned two robust multiple regression models that demonstrated similar patterns of the risk that a skilled labor shortage poses to cost performance." (Karimi, Taylor, Dadi, Goodrum, Srinivasan, 2018). The Study goes on to demonstrate that there is a statistically significant relationship between increased skill labor recruiting difficulty and the decline in project productivity (*ibid*) and states that the use of a skilled labor force could generate productivity gains of between 13 and 18.7 percent compared to those using a lower-skilled workforce (*ibid*).

Apprenticeships

Apprenticeship programs provide an on-site learning experience to grow the local workforce. Apprentices often do the work of experienced staff but are paid less to accommodate on-the-job training and the cost of running an apprenticeship program requirements are often included in PLAs/CWAs or Local Hiring agreements, which are pre-hire contracts between the project developer and construction unions. Local apprenticeship requirements are typically structured as a percent of the overall labor hours (e.g., 15% of all hours) or based on the estimated contract amount (e.g., one apprentice for the first \$1M of construction, and one additional apprentice for every \$5M thereafter). Local Hire Goals are also often included in Apprenticeship Requirements. These policies either request or require that a certain percentage of the apprentices are local residents, as defined by the sponsoring public agency.

BAE did not find any academic literature solely related to Apprenticeship programs. Apprenticeship programs were reviewed as a component of a STW or PLA agreement, since unions often provide the training and include apprenticeship goals and targets within a larger PLA.

Costs

BAE did not locate any literature exclusively examining the cost of including an apprenticeship requirement as part of a project. Costs are typically included in larger STW project costs. The City of Dublin estimated the cost of administering an apprenticeship requirement for a staff report, which is discussed in the following Cost Analysis Section of the report.

Benefits

According to a 2012 article from the Mathematica Policy institute, across ten states, on average, workers completing apprenticeship programs tend to earn more than \$124,000 in wages and benefits over the course of their careers than those who did not complete a program (*Reed, Liu, Kleinman, Mastri, Reed, Sattar, and Ziegler, 2012*). To the extent that apprenticeship policies require a certain percentage of apprentice workers to live in the local city and/or region, local apprenticeship requirements can have additional benefits, including increased opportunities for local spending and reduced local unemployment rates.

Local Hire Policies

The cities of Pasadena, San Francisco, Berkeley, Hayward, and San Leandro, along with Alameda County among others employ Local Hire policies, which set targets for the percentage of workers or job-hours filled by residents of a specified area. The specified areas vary with each policy and can include city limits, a buffered area, or any other geographic measure. Alameda County's Measure 1A, which specifies its Local Hire requirements also include a disadvantaged hire component to promote workforce diversity. Local Hire policies can be included in PLAs, putting the onus on unions to provide local workers.

Costs

The cost of implementing a Local Hire policy will depend on who administers and monitors the program. Some Local Hire programs are run through local unions, where developers hire local workers through union halls. This would likely increase development costs above market rates, trending towards Prevailing Wage/PLA wage rates. Under this circumstance, there could be issues if no local residents are “out of work.” Union halls ask developers to hire “out of work” union members, whose place of residence and/or specialties may not match those needed for the project (*Liu and Damewood, 2013*). Cities with Local Hire policies implemented through a PLA indicated that Local Hire percentages required negotiations and were not initially offered in the PLA.

Benefits

Local Hire programs provide opportunities for workers living within a specified geographic area. As with other programs, the benefits do not accrue to the project itself. Proponents of Local Hire programs state that these programs provide opportunities to grow the local workforce and provide jobs to residents, who typically spend a portion of their paychecks locally on housing, groceries, dining, and other goods and services purchased near the home (*IMPLAN input-output model, 2023*). As these programs generally relate to spending taxpayer dollars on local public works projects, Local Hire programs “keep tax spending local.”

APPENDIX E: CONSTRUCTION COST MODELS

The following section outlines the construction cost assumptions that inform the cost model and differential analysis. These cost assumptions are based on Los Angeles regional construction cost metrics from recent BAE market analyses conducted during 2022 and 2023 and development advisory work.

Construction Cost Assumptions

Site Work – Sitework includes grading, excavation, and preparing the site for construction. The analysis uses a sitework cost of \$25 per site square foot for all four construction typologies. This is relatively a conservative assumption. Infill sites generally have utility access and will require limited work to prepare it for construction.

Residential Hard Costs – Based on discussions with local residential developers and reviewing recent development pro formas for similar projects, this report assumes baseline residential hard costs of \$300 per square foot for condominium units and \$330 per square foot for rental units. This cost includes materials, fixtures, and appliance costs, but does not include other aspects of the construction contract like engineering and architecture, which this analysis considers to be soft costs.

Soft Costs – Softs costs, which are typically estimated as a percentage of hard construction costs, include the costs associated with engineering, legal, permits and fees, and accounting services. In the current market, soft costs are equal to 18 percent of hard costs for the baseline model whose totals are not anticipated to change under the prevailing wage or apprenticeship scenarios.

Parking Costs – Parking costs differ by treatment. Surface parking spaces require asphalt and paint, while podium (above ground garage) requires load bearing concrete, which often forms the base of the building. Subterranean parking is the most expensive, as it requires digging underground and all of the associated costs. This report uses Los Angeles parking construction costs of \$5,000 per surface parking space, \$35,000 per podium space, and \$50,000 per underground space.

Development Impact Fees – The City's Fiscal Year 2022-23 development impact fees were \$7,269.15 for new construction, community facilities, and a five percent administrative surcharge for market rate units. The impact fees are \$6,088.95 for each affordable unit. This analysis evaluates the cost of construction typologies irrespective of inclusionary policies. Thus, it assumes each unit pays the market rate impact fee.

Appendix E: Construction Cost Models

Table E-1: 36 Dwelling Units per Acre Construction Typology

Development Program Assumptions (a)	No Workforce Requirement		Prevailing Wage/ Skilled Labor		Apprenticeship		Local Hire	
	1	43,560	1	43,560	1	43,560	1	43,560
Site Size - acres / square feet	1	43,560	1	43,560	1	43,560	1	43,560
Total Dwelling Units		36		36		36		36
Built Project Density		36		36		36		36
Gross Building Area		68,875		68,875		68,875		68,875
Average Unit Size		1,222		1,222		1,222		1,222
Total Parking Spaces		92		92		92		92
Surface Spaces		0		0		0		0
Podium Spaces		92		92		92		92
Construction Cost Assumptions								
Site Prep Costs (per site. sf)		\$25		\$30		\$29		\$25
Hard Cost per residential sf		\$300		\$358		\$349		\$300
Surface Parking Cost per space		\$5,000		\$5,963		\$5,819		\$5,000
Podium Parking Cost per space		\$35,000		\$41,742		\$40,731		\$35,000
Soft Costs (% of hard costs)		18%		15%		15%		20%
Impact Fees (per unit) (b)		\$7,269		\$7,269		\$7,269		\$7,269
Construction Costs (c)								
Site Preparation		\$1,089,000		\$1,298,771		\$1,267,305		\$1,089,000
Hard Cost		\$20,662,500		\$24,642,660		\$24,045,636		\$20,662,500
Surface Parking Cost		\$0		\$0		\$0		\$0
Podium Parking Cost		\$3,220,000		\$3,840,260		\$3,747,221		\$3,220,000
Soft Costs		\$4,494,870		\$4,494,870		\$4,494,870		\$4,994,300
Impact Fees		\$261,689		\$261,689		\$261,689		\$261,689
TOTAL CONSTRUCTION COST		\$29,728,059		\$34,538,250		\$33,816,722		\$30,227,489
Cost per Unit		\$825,779		\$959,396		\$939,353		\$839,652
Cost per SF		\$432		\$501		\$491		\$439
Premium over base		N/A		16.2%		13.8%		1.7%

Notes:

(a) Based on KMA's September 2020 Inclusionary Policy Financial Evaluation.

(b) Weighted percentage of affordable units; based on Citywide Development Impact Fees from Fiscal Year 2022-2023 Fee Schedule.

Source: BAE, 2023.

Appendix E: Construction Cost Models

Table E-2: Less than 20 Units Construction Typology

Development Program Assumptions (a)	No Workforce Requirement		Prevailing Wage/ Skilled Labor		Apprenticeship		Local Hire	
	0.85	37,026	0.85	37,026	0.85	37,026	0.85	37,026
Site Size - acres / square feet								
Total Dwelling Units		17		17		17		17
Built Project Density		20		20		20		20
Gross Building Area		15,300		15,300		15,300		15,300
Average Unit Size		900		900		900		900
Total Parking Spaces		41		41		41		41
Surface Spaces		0		0		0		0
Podium Spaces		41		41		41		41
Construction Cost Assumptions								
Site Prep Costs (per site. sf)		\$25		\$30		\$29		\$25
Hard Cost per residential sf		\$330		\$394		\$384		\$330
Surface Parking Cost per space		\$5,000		\$5,963		\$5,819		\$5,000
Podium Parking Cost per space		\$35,000		\$41,742		\$40,731		\$35,000
Soft Costs (% of hard costs)		18%		15%		15%		20%
Impact Fees (per unit) (b)		\$7,269		\$7,269		\$7,269		\$7,269
Construction Costs (c)								
Site Preparation		\$925,650		\$1,103,955		\$1,077,210		\$925,650
Hard Cost		\$5,049,000		\$6,021,575		\$5,875,689		\$5,049,000
Surface Parking Cost		\$0		\$0		\$0		\$0
Podium Parking Cost		\$1,428,000		\$1,703,072		\$1,661,811		\$1,428,000
Soft Costs		\$1,332,477		\$1,332,477		\$1,332,477		\$1,480,530
Impact Fees		\$123,576		\$123,576		\$123,576		\$123,576
TOTAL CONSTRUCTION COST		\$8,858,703		\$10,284,655		\$10,070,762		\$9,006,756
Cost per Unit		\$521,100		\$604,980		\$592,398		\$529,809
Cost per SF		\$579		\$672		\$658		\$589
Premium over base		N/A		16.1%		13.7%		1.7%

Notes:

- (a) Based on KMA's September 2020 Inclusionary Policy Financial Evaluation.
- (b) Weighted percentage of affordable units; based on Citywide Development Impact Fees from Fiscal Year 2022-2023 Fee Schedule.

Source: BAE, 2023.

Appendix E: Construction Cost Models

Table E-3: 62 Dwelling Units per Acre Construction Typology

Development Program Assumptions (a)	No Workforce Requirement		Prevailing Wage/ Skilled Labor		Apprenticeship		Local Hire	
Site Size - acres / square feet	4	174,240	4	174,240	4	174,240	4	174,240
Total Dwelling Units		248		248		248		248
Built Project Density		62		62		62		62
Gross Building Area		305,032		305,032		305,032		305,032
Average Unit Size		1,168		1,168		1,168		1,168
Total Parking Spaces		469		469		469		469
Surface Spaces		0		0		0		0
Podium Spaces		120		120		120		120
Subterranean Spaces		349		349		349		349
Construction Cost Assumptions								
Site Prep Costs (per site. sf)		\$25		\$29		\$29		\$25
Hard Cost per residential sf		\$330		\$387		\$384		\$330
Surface Parking Cost per space		\$5,000		\$5,871		\$5,819		\$5,000
Podium Parking Cost per space		\$35,000		\$41,094		\$40,731		\$35,000
Subterranean Parking Cost per space		\$50,000		\$58,706		\$58,187		\$50,000
Soft Costs (% of hard costs)		18%		13%		13%		20%
Impact Fees (per unit) (b)		\$7,269		\$7,269		\$7,269		\$7,269
Construction Costs (c)								
Site Preparation		\$4,356,000		\$5,114,446		\$5,069,222		\$4,356,000
Hard Cost		\$100,660,560		\$118,187,109		\$117,142,031		\$100,660,560
Surface Parking Cost		\$0		\$0		\$0		\$0
Podium Parking Cost		\$4,200,000		\$4,931,284		\$4,887,679		\$4,200,000
Subterranean Parking Cost		\$17,450,000		\$20,488,313		\$20,307,143		\$17,450,000
Soft Costs		\$19,658,981		\$19,658,981		\$19,658,981		\$21,843,312
Impact Fees		\$1,802,749		\$1,802,749		\$1,802,749		\$1,802,749
TOTAL CONSTRUCTION COST		\$148,128,290		\$170,182,882		\$168,867,805		\$150,312,621
Cost per Unit		\$597,291		\$686,221		\$680,919		\$606,099
Cost per SF		\$486		\$558		\$554		\$493
Premium over base		N/A		14.9%		14.0%		1.5%

Notes:

(a) Based on KMA's September 2020 Inclusionary Policy Financial Evaluation.

(b) Weighted percentage of affordable units; based on Citywide Development Impact Fees from Fiscal Year 2022-2023 Fee Schedule.

Source: BAE, 2023.

Appendix E: Construction Cost Models

Table E-4: 87 Dwelling Units per Acre Construction Typology

Development Program Assumptions (a)	No Workforce Requirement		Prevailing Wage/ Skilled Labor		Apprenticeship		Local Hire	
	1	43,560	1	43,560	1	43,560	1	43,560
Site Size - acres / square feet	1	43,560	1	43,560	1	43,560	1	43,560
Total Dwelling Units		87		87		87		87
Built Project Density		87		87		87		87
Gross Building Area		97,765		97,765		97,765		97,765
Average Unit Size		955		955		955		955
Total Parking Spaces		165		165		165		165
Surface Spaces		0		0		0		0
Podium Spaces		0		0		0		0
Subterranean Spaces		165		165		165		165
Construction Cost Assumptions								
Site Prep Costs (per site. sf)		\$25		\$30		\$29		\$25
Hard Cost per residential sf		\$330		\$394		\$384		\$330
Surface Parking Cost per space		\$5,000		\$5,963		\$5,819		\$5,000
Podium Parking Cost per space		\$35,000		\$41,742		\$40,731		\$35,000
Subterranean Parking Cost per space		\$50,000		\$59,631		\$58,187		\$50,000
Soft Costs (% of hard costs)		18%		12%		12%		20%
Impact Fees (per unit) (b)		\$7,269		\$7,269		\$7,269		\$7,269
Construction Costs (c)								
Site Preparation								
Hard Cost		\$1,089,000		\$1,298,771		\$1,267,305		\$1,089,000
Surface Parking Cost		\$32,262,450		\$38,477,077		\$37,544,883		\$32,262,450
Podium Parking Cost		\$0		\$0		\$0		\$0
Subterranean Parking Cost		\$0		\$0		\$0		\$0
Soft Costs		\$8,250,000		\$9,839,175		\$9,600,798		\$8,250,000
Impact Fees		\$6,003,261		\$6,003,261		\$6,003,261		\$6,670,290
		\$632,416		\$632,416		\$632,416		\$632,416
TOTAL CONSTRUCTION COST		\$48,237,127		\$56,250,699		\$55,048,664		\$48,904,156
Cost per Unit		\$554,450		\$646,560		\$632,743		\$562,117
Cost per SF		\$493		\$575		\$563		\$500
Premium over base		N/A		16.6%		14.1%		1.4%

Notes:

(a) Based on KMA's September 2020 Inclusionary Policy Financial Evaluation.

(b) Weighted percentage of affordable units; based on Citywide Development Impact Fees from Fiscal Year 2022-2023 Fee Schedule.

Source: BAE, 2023.

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