



# Economic Development, Placemaking and Branding/ Marketing Committee

*City of Arts & Innovation*

---

**TO: ECONOMIC DEVELOPMENT, PLACEMAKING AND BRANDING/MARKETING COMMITTEE** **DATE: MAY 20, 2021**

**FROM: COMMUNITY & ECONOMIC DEVELOPMENT DEPARTMENT** **WARDS: ALL**

**SUBJECT: EXPANSION OPTIONS TO INCLUDE IN THE LOCAL PREFERENCE PROCUREMENT POLICY FOR FUTURE REQUEST FOR PROPOSALS FOR THE DISPOSITION OF CITY-OWNED SURPLUS LAND**

## **ISSUE:**

Consideration of expansion options to include in the local preference procurement policy for future Request for Proposals for the disposition of City-owned surplus land.

## **RECOMMENDATION:**

That the Economic Development, Placemaking and Branding/Marketing Committee review and consider expansion options to include in the local preference procurement policy for future Request for Proposals for the disposition of City-owned surplus land and provide direction to staff for City Council consideration.

## **BACKGROUND:**

On November 19, 2020, the City Manager's Office presented the Local Preference and Disadvantaged Business Enterprise Procurement Policies and potential new policy implementation overview to the Economic Development, Placemaking, and Branding/Marketing Committee (Committee). The report was received and filed with a request that staff prepare an organizational plan that incorporates stakeholders' topics and information on the request for proposals of City-Owned surplus land.

On January 21, 2021, the Finance Department presented to the Committee an organizational plan for local preference procurement and Disadvantaged Business Enterprise (DBE) policies incorporating stakeholders' topic and information on request for proposals of City-Owned surplus land. The committee unanimously and without formal motion received and ordered filed the organizational plan.

On February 18, 2021, Chair Fierro presented to the Committee a clarification of policy objectives, stakeholder engagement process options and a revised expedited timeline for local preference policy revisions for Request for Proposals (RFP's) on Surplus Land. The committee requested the Finance Department to bring an informal task update to the Committee on March 18, 2021. The Committee voted unanimously with revisions to the schedule to combine the

March 18, 2021 preliminary research report and presentation with a workshop on April 15, 2021. On March 18, 2021, the Finance Department presented the Committee with updates on the Procurement Local Preference ten (10) tasks and objectives. The Purchasing Division formulated data requirements to meet four (4) goals to review Vendor Data, Contract Award Date, Vendor Opinions on Local Preference Programs, and Stakeholder Involvement.

On April 15, 2021, the Economic Development, Placemaking and Branding/Marketing Committee (Committee) reviewed, discussed and provided input on the potential expansion of local preference procurement policy and directed staff to incorporate stakeholder and public feedback and return to the Committee with expansion options to include in the local preference procurement policy for future Request for Proposals for the disposition of City-owned surplus land.

## **DISCUSSION:**

Based on the direction provided by the Committee, and after consulting with local stakeholders, staff has developed the following options for the Committee's review and consideration:

Option 1	Option 2
<b>Local Hire Mandate:</b> 30% (minimum) of the construction jobs created by the project must be filled by members of the local community (generally defined as those residing within the 951 or 909 telephone area codes or a 20 mile radius map– as shown on Attachment 1).	<b>Local Hire Goal/Good Faith Effort:</b> The goal/good faith effort of the selected developer would target 30% of the jobs created by the project to be filled by members of the local community (generally defined as those residing within the 951 or 909 telephone area codes or a 20 mile radius map – as shown on Attachment 1).
<b>Apprentice Program:</b> The selected developer must provide funding for an apprenticeship program which will create a pipeline of qualified candidates from the local community (primarily youth, veterans, and displaced workers) for future job opportunities.	<b>Apprentice Program:</b> The City shall, in the proposal evaluation process, award additional scoring points (maximum of ten) to prospective developers that commit to an apprenticeship program, which will create a pipeline of qualified candidates from the local community (primarily youth, veterans, and displaced workers) for future job opportunities.
<b>Prevailing Wage Mandate:</b> The selected developer must pay prevailing wages (as determined by the Director of the State's Department of Industrial Relations, according to the type of work and location of the project) and benefits for every construction worker engaged in the construction of the project.	<b>Prevailing Wage:</b> The City shall, in the proposal evaluation process, award additional scoring points (maximum of ten) to prospective developers that commit to pay prevailing wages (as determined by the Director of the State's Department of Industrial Relations, according to the type of work and location of the project) and benefits for every construction worker engaged in the construction of the project.

## **Developer Feedback Considerations:**

Staff, as part of its due diligence, spoke with local developers regarding their thoughts on the

two options as presented above. The developers interviewed had a generally negative reaction to Option 1 and portions of Option 2 based on the following:

- Developers are agreeable to a local hiring “goal” (rather than a “mandate”) as they are already motivated to procure a local workforce as it keeps their labor costs down.
- Development and implementation of an apprenticeship/job training program is not typically a skill set of private developers. Typically, apprenticeship programs are developed and implemented by large-scale general contractors. Mandating that developers only engage with large scale contractors that have the capacity to implement apprenticeship programs reduces competitiveness and pricing becomes an issue.
- Prevailing wages typically adds a 30% premium to the cost of labor and, on typical development projects, labor costs equal half of the total project cost. Adding a 15%-20% cost burden for a prevailing wage would make development projects infeasible as it would eliminate any potential profit (especially for smaller development projects).

#### Union Representatives Feedback:

- The union representatives broadly support Option 1 and are generally supportive of mandated local hiring, apprenticeships/job training programs, and prevailing wages for all construction workers.
- A local workforce, based on staff’s conversations with several Riverside/San Bernardino County-based unions is typically, and very generally, defined as those workers residing within the cities represented by the 951 or 909 telephone area codes (as shown on Attachment 1).

#### Typical RFP Scoring Criteria:

Development Project Narrative:	30%
Developer Qualifications/Experience:	20%
Developer Financial Capability:	15%
Development Timeline:	15%
Purchase/Lease Price:	20%
Total:	100%

If Option 1 were implemented, proposers would be required to include the mandated programs in their proposals to be considered responsive proposers and eligible to have their proposal scored. If Option 2 were implemented, the above or similar scoring criteria would still be used but would be supplemented with the additional points a proposer could receive for implementing the local hire programs so a maximum score could equal 120%.

#### Other City Examples:

Staff also researched “local hire” type programs implemented by other California cities. All examples use a goal/good faith efforts-based program rather than a mandate. Examples identified include:

- **City of Long Beach:** In 2015, the City of Long Beach entered into a Project Labor Agreement (PLA) with the Los Angeles/Orange Counties Building and Construction Trade Council. The

PLA applies to city construction projects over \$500,000 and sets a local hire goal of 40% of work hours at that time. Quarterly reports are presented to Long Beach's Economic Development Committee to demonstrate that contractors comply with the goal or are demonstrating a good faith effort. The PLA does not apply to private development, whether on city-owned or private-owned property.

- **City of Pasadena:** The City of Pasadena has developed and implemented a Pasadena First Source Hiring Program Ordinance. Under this program, any development project receiving financial assistance from the City (including a sale of property for less than fair market value) is required to participate. The penalty for not complying with the program is the loss of financial assistance. Local hiring goals are set on a case-by-case basis and factor in the project as well as the amount of financial assistance provided. Meeting the local hiring goal is based on a "best efforts" standard, though the specific contract language defining "best efforts" was not available. The program is voluntary for other private development. Voluntary participation means the developer gets a construction tax credit when they apply for their certificate of occupancy upon project completion.
- **City of Stockton:** The City of Stockton requires good faith efforts to hire 50% local labor for all Public Works projects. Public Works contractors must show "good faith efforts" for local hiring. However, contractors are not held to the 50% local hire participation so long as they can demonstrate that they put forth good faith efforts to find the local labor.

#### Implementation:

If Option 1 is chosen, it will put an additional burden on City staff to oversee private development for compliance with the local contractor, apprenticeship, and prevailing wage mandates. If Option 2 is chosen, City staff may only need to monitor the 30% local goal and establish policies and procedures to ensure compliance. However, an additional burden would be imposed on City staff for compliance if apprenticeship and prevailing wage components were included as part of the RFP response.

#### FISCAL IMPACT:

There is no fiscal impact associated with the recommendations associated with this report. If new policies are recommended and implemented, the fiscal impact, if any, will be defined during City Council approval for those policies.

Prepared by: David Welch, Community & Economic Development Director  
Certified as to  
availability of funds: Edward Enriquez, Chief Financial Officer/City Treasurer  
Approved by: Rafael Guzman, Assistant City Manager  
Approved as to form: Kristi J. Smith, Interim City Attorney

#### Attachments:

1. Potential Local Hire Telephone Area Code & Radius Map
2. Presentation