



Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: Kim Walesh

SUBJECT: SEE BELOW

DATE: November 4, 2019

Approved

Date

11/4/19

SUPPLEMENTAL

SUBJECT: ONGOING WORK: FINANCIAL IMPACT OF PREVAILING WAGE ON DEVELOPMENT PROJECTS

REASON FOR SUPPLEMENTAL

This Supplemental Memorandum is intended to provide background and context to the discussion on the Impact of the Workforce Standards (SJMC 14.10), and more specifically to discuss the ongoing work to understand the fiscal implications of implementing the prevailing wage requirement on private development projects. Staff recognizes that a gap exists between the conclusions contained in the consultant analysis and the issues with that analysis raised to Council by stakeholders, and are committed to working objectively with stakeholders to narrow that gap as much as possible.

OUTCOME

Staff continues to examine different approaches to analyzing the cost of implementing the workforce standards on private development. Due to the limited period since Council's direction to further explore the cost implications associated with the City's Workforce Standards, this report is intended to provide a background on the analysis that has been conducted to date.

BACKGROUND

As part of the discussion regarding Council's consideration of the Downtown High-Rise Incentive and the associated report titled *Financial Feasibility of Downtown High-rise Projects and Potential Impact of Incentives and Workforce Standards* (Strategic Economics, September 12, 2019), at the September 24, 2019 City Council hearing, staff was directed to continuing the work to understand the true cost of implementing the Workforce Standards on private development projects. Staff acknowledges the difference in opinion between the consultant

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(Strategic Economics), and the South Bay Labor Council and Santa Clara & San Benito Counties Building & Construction Trades Council.

ANALYSIS

Staff continues to examine different approaches to analyzing the cost of implementing the workforce standards on private development. Due to the limited period since Council's direction to further explore the cost implications associated with the City's Workforce Standards, this report is intended to provide a background and outline next steps for staff working with developers and key stakeholders.

Beyond gathering specific data sources related to the topic, staff will continue to further refine their understanding of the interrelationship between different construction related costs and their impact on the total cost of construction.

Staff has also initiated discussions with the South Bay Labor Council and Working Partnerships to discuss the opportunity to collaborate on this topic. Staff is committed to facilitating further conversations with these stakeholders and Strategic Economics to provide additional context, data, and background to the study they completed. Staff will also provide access to additional data and resources as they become available for coordination and feedback.

EVALUATION AND FOLLOW-UP

Staff will return to Council with additional information on this topic upon completion of additional research and analysis.

COORDINATION

This memorandum has been coordinated with the Public Works Department and Housing Department.

/s/

KIM WALES

Deputy City Manager

Director of Economic Development

For questions, please contact Chris Burton, Deputy Director, Economic Development, at (408) 535-8114.