



**Legislative Department  
Seattle City Council  
Memorandum**

Date: December 1, 2014  
To: CHAHSER Committee  
From: Patricia Lee, Council Central Staff

**Subject: Priority Hire CB 118282**  
December 4, 2014 CHAHSER Committee Meeting

This memo outlines the major components of CB 118282, the Priority Hire ordinance and substantive changes from the previous version of the ordinance discussed at the September 18 committee meeting.

The Executive and Council staff have continued to work together to develop this ordinance. A previous version of the ordinance, submitted by the Mayor, was not formally introduced but provided so the committee could begin discussion of this issue.

**I. Summary of the Ordinance**

The 21<sup>st</sup> century economy is one in which an individual will need to attain education and skills beyond high school. Those who obtain the types of skills needed in the construction industry have skills that improve their employment opportunities and economic self-sufficiency throughout their lifetime. This ordinance seeks to increase access to construction jobs and careers for individuals who have historically not been equally represented in the industry including women, people of color and other disadvantaged individuals, particularly those living in Seattle and King County by; 1) increasing their access to apprenticeships, which are the pipeline to construction careers, and 2) increasing their job opportunities on city funded public works projects.

**IA. Apprenticeship**

The City of Seattle is a strong supporter of and has found pre-apprenticeship and registered apprenticeship programs to be an effective way to prepare individuals for entry into construction jobs. The Washington Legislature has also found that a trained and qualified workforce is critical to accomplish public works and that qualified apprentice training programs are essential to and effective in assuring an adequate supply of trained workers.

However, both women and people of color have lower rates of completing their apprenticeship training than white apprentices. For women 10% fewer women completed their program i.e. 65% of all women failed to complete their program compared to 55% of all men between 2009-2013. 14% fewer racial minority apprentices completed compared to their white classmates i.e. 65% of racial minorities did not complete compared to 51% of white apprentices during the same time period.

This ordinance provides that the Finance and Administrative Services (FAS) Director may provide support to pre-apprenticeship and registered apprenticeship programs and to individuals enrolled in those programs. For the programs this means encouraging programs, classes and curriculum that may increase graduation, retention and employment rates of “Priority Workers”, defined in this ordinance as individuals residing in an Economically Distressed Area. Economically Distressed Areas will be determined by the FAS Director based on their comparatively higher rates of poverty, unemployment and low-education attainment. The FAS Director may also explore possible ways to provide support to reduce barriers faced by Priority Worker individuals enrolled in a pre-apprenticeship or apprenticeship programs similar to the types of public and private support given to students in an academic setting and is a new area of investment for the City.

SMC 20.38.005 will be amended to increase the maximum percentage of apprentice labor hours, on city funded projects of \$1 million or more, from 15% to 20%. This will increase the number of hours available to apprentices. The FAS Director will also set aspirational goals for apprentices who are women and racial minorities considering factors such as project size, duration, labor hours needed, skills required, historic utilization rates and apprentice availability.

## **IB. Employment Opportunities through Priority Hire**

*Background.* The City of Seattle spends over \$200 million a year on public work contracts. This capital investment provides enough labor hours to equal approximately 438 full time construction jobs.

The City of Seattle has used and continues to use its role as a funder of public work projects to also advance social equity and environmental goals. For example the City’s Equality in Contracting section of the Seattle Municipal Code (SMC) states: “the purpose and intent of this chapter are to provide the maximum practicable opportunity for increased participation by minority and women owned and controlled businesses, as long as such businesses are underrepresented, and to ensure that City contracting practices do not support discrimination in employment and services when the City procures public works, goods, and services from the private sector. SMC 20.42 et. seq. The City’s Recycled Content Product Procurement Program promotes the City’s purchase and use of recycled products, SMC 20.60.020.

In 2013 the City adopted a Seattle Climate Action Plan, Resolution 31447, which states the City’s commitment to reduce environmental impacts by promoting environmentally sustainable practices that reduce commuting distances, lower transportation costs, greenhouse gas and brake dust emissions. The Worker Profile in City of Seattle Construction Project study shows that in a review of 33 city public work projects 6% of the workers employed on those projects lived in Seattle and 25% lived in King County.

Unemployment rates vary by geographic area throughout King County and by race. In 2012 the King County’s average unemployment rate was 6.7%. However; the unemployment rate was 12.9% for African Americans, 8.4% for Latinos and 7.6% for head-of-household women.

The City and King County have geographically identifiable areas characterized by high levels of poverty, unemployment and low-educational attainment rates that can be defined by zip codes.

These are areas that will require measures to encourage economic growth, job creation and job retention for residents of those areas. The FAS Director will determine these Economically Distressed Areas, and the criteria for determining them through Director's Rules.

#### Priority Hire Worker Hours Calculation

This ordinance establishes that for each city public work project of \$5 million or more, defined in the ordinance as "Covered Projects", the FAS Director will establish, in the bid documents:

- The percentage of labor hours to be performed by Priority Workers. Priority Workers are individuals residing in Economically Distressed Areas.
- The percentage of labor hours will be calculated based on the past utilization percentages on similar public works during the previous three calendar years and increasing that percentage by no less than 2% points.
- The goals will be calibrated annually in consultation with the Priority Hire Implementation and Advisory Committee established by this ordinance.
- The percentages will be established separately for apprentices and for journey-level workers.
- Contractors may receive a credit of up to 10% applied to their required Priority Worker Hours by hiring Priority Workers to fill non- manual positions such as office work, or continuing to employ workers in these positions for the duration of the Contractor's work on the covered project.
- In determining compliance with the percentage hiring requirements the FAS Director shall exclude labor hours performed by non-Washington residents.
- In addition to project specific goals, the ordinance includes an aspirational overall citywide goal of having 20% of all labor hours performed annually by Priority Workers on all covered projects by 2016 and 40% by 2025.
- In addition, the FAS Director will establish aspirational goals for the percentage of labor hours to be performed by women and racial minorities based on past utilization in the previous three calendar years and increasing that percentage by at least 2% points. These goals will be calibrated annually.

The FAS Director may also reduce or waive the priority worker requirements or aspirational women and racial minority worker goals if they are impracticable because the work is

- of an emergency nature,
- subject to limitations of a sole source,
- inconsistent with a grant or agreement with a public agency,
- inconsistent with federal or other funding sources,
- in a remote location or
- when superseded by safety or other legal requirements.

#### Priority Hire Implementation and Evaluation

A Jobs Coordinator will facilitate the identification of Priority Workers and coordination between contractors, unions and training programs.

The FAS Director shall establish an Implementation and Advisory Committee composed of representatives of labor unions, community organizations, contractors, including WMBE firms

and pre-apprenticeship and apprenticeship training programs. The committee will meet at least once a quarter and will be provided information on program performance. The committee may choose to submit recommendations, findings or reports to the FAS Director, Mayor and City Council.

### *Project Labor Agreement*

To implement the increase in labor hours performed by Priority Workers the City will enter into a Project Labor Agreement (PLA) for all covered projects, i.e. city public work projects of \$5 million or more. All Contractors must agree to abide by the terms of the PLA in order to compete and serve on the Project.

The PLA will require contractors and dispatch to:

- first seek to employ Priority Workers residing in a Seattle economically distressed area,
- then King County Priority Workers residing in an economically distressed area
- then workers from any other Economically Distressed Area as needed to meet the percentage of labor hours to be performed by Priority Workers.
- One of every five apprentices on a covered project must be a preferred entry candidate. Preferred entry candidates are pre-apprenticeship graduates or Helmets to Hardhats veterans who are also Priority Workers.

The PLA will require the FAS Director to establish provisions that

- Encourage Open-Shop subcontractors to participate such as mitigating unique dual benefit health and pension costs paid by Open Shop Contractors
- Permit Open Shop Contractors to employ up to 5 Core employees on each covered project

Workers are not required to become union members and contractors are not required to affiliate with a union to participate to work on a Covered Project under a PLA.

FAS may provide technical assistance to WMBE and Open-Shop contractors in transitioning to a PLA work environment.

The Director will have the same powers and remedies to enforce these provisions as with any other contract including withholding or invoice payments and debarment.

### *Priority Hire Program Evaluation*

The FAS Director will establish benchmarks and other metrics to evaluate the program, such as project costs, utilization rates of Priority Workers, graduation rates of Priority Workers, women and racial minorities from pre-apprenticeship and apprenticeship training programs and percentage of dollars paid to WMBE contractors working on covered projects. An annual report will be submitted to the Mayor and Council.

In 2016 the Mayor and Council will review program results under this ordinance and determine if the program should be expanded or amended and whether the thresholds should be increased or decreased.

## **II. Changes from the Ordinance discussed at September 18, 2014 CHAHSER committee meeting.**

The Executive and Council staff have continued to work together to develop this ordinance. A previous version of the ordinance was discussed at the September 18, 2014 CHAHSER committee. Listed below are the salient changes from the previous draft.

Addition of:

- A definition of “Covered Projects” as all city funded public work projects of \$5 million or more
- An overall citywide aspirational goal for the number of labor hours performed by priority workers
- Establishment of two Tiers of Economically Distressed Areas, Tier 1 in Seattle and Tier 2 in King County
- Credit to contractors for hiring Priority Worker in non-manual roles and continuing to keep them employed on a project
- Exclusion of hours performed by out-of-state workers from calculation of Priority Worker hours
- Clarification that all PLAs will include Priority Hire requirements established by the FAS Director
- A specific reference to a Jobs Coordinator to maintain a database and facilitate identification and referral of Priority Workers and coordination of training and employment
- Additional references to the Priority Hire Implementation and Advisory Committee to include purpose of the committee, frequency of meetings and performance data the committee will review
- Data that in a sample of 33 city funded public work projects 6% of the workers were Seattle residents and 25% were from King County
- Whereas clauses expanded to include additional information on City contracting process and experience
- Technical amendments and formatting changes

### **Next Steps**

The Priority Hire ordinance will be discussed at the December 18, 2014 CHAHSER committee. It is anticipated that a discussion of issues and potential options will be discussed at that meeting.