



# Information Item

October 8, 2013

To: Mayor and City Council  
From: Andy Agle, Director of Housing and Economic Development  
Subject: Local Hiring Efforts

## **Introduction**

This information item follows the City Council study session held on July 26, 2011. It provides an update on the City's demographic and employment data, and on existing local hiring and job training efforts. The report also outlines prospective opportunities to increase and track local hiring efforts, particularly as related to youth and the Cradle-to-Career Initiative.

## **Background**

On September 28, 2010, Council directed staff to study options related to local hiring. Staff returned to Council on [July 26, 2011](#) with a study of the local hire practices implemented in other cities and options for consideration. Staff noted that although local hire programs differ widely from city to city, first-source hiring procedures are consistently utilized as a best practice. The term "first-source hiring" refers to systems whereby an employer first looks to the local community to find employees. Such systems include a local advertising effort, participation in local job fairs, and a pre-determined period where locals are interviewed before jobs are opened more broadly.

Among the local hire programs studied by staff, including those with requirements for a high percentage of local workers, there were no programs that forced businesses to hire local residents. The programs require certain processes and procedures which give

locals a competitive advantage. Mandates that require an employer to hire certain candidates and override the employer's ability to use discretion would likely pose legal challenges. These mandates also pose practical challenges as there may not be any local residents with an interest or the right skills to fill the job. Among other jurisdictions studied, if an employer is unable to find a suitable local resident for a job after following the first-source procedures, the employer may then recruit more broadly. Since the study session, first-source hiring requirements outlining specific best practices and procedures have been included in several development agreements.

On [March 19, 2013](#), Council directed staff to explore mechanisms for more intensive local hiring programs related to development agreements, including project labor agreements (PLAs) and links to the Santa Monica Cradle to Career Initiative (c2c) and the Sustainable City Plan (SCP). PLAs are a pre-hire collective bargaining contract negotiated between a project owner or agency and a consortium of unions. Traditionally, PLAs are established between public agencies and building trades unions and often include provisions to use best efforts to recruit local residents to work on construction projects. Under a PLA, construction unions have bargaining rights regarding wages and benefits of all employees working on the project and agree to the PLA provisions. PLAs are intended to promote efficient construction operations and provide for the orderly settlement of labor disputes and grievances without strikes or lockouts, thereby promoting the public interest through timely and cost-effective project completion. The c2c and SCP are two separate but interrelated plans that prioritize the well-being of Santa Monica and its residents. Cradle to Career, which is being implemented through the City's Community and Cultural Services Department, aims to create a comprehensive network of support for Santa Monica's youth and their families. The Sustainable City Plan, prepared by the City's Office of Sustainability & the Environment, sets forth broad guiding principles to achieve sustainability for Santa Monica's environment, economy, and society including specific goals to encourage balance in jobs and housing.

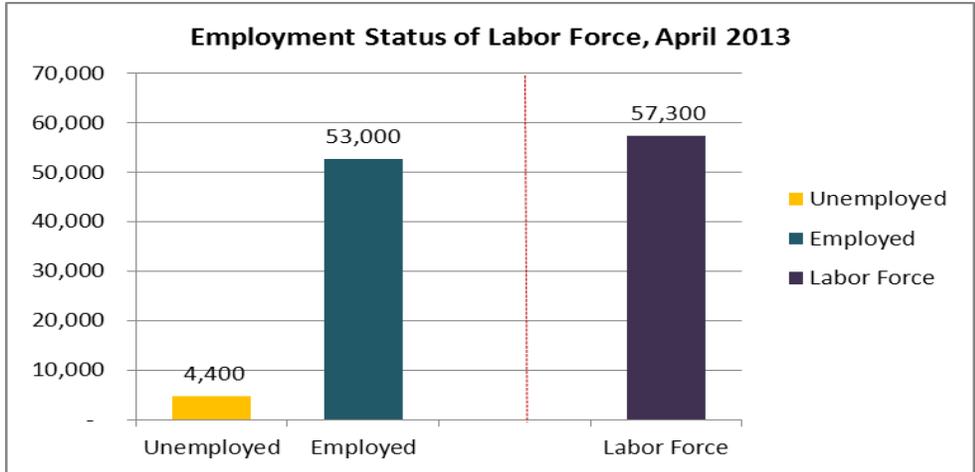
## **Discussion**

Local hiring is often defined as an objective of hiring people who live close to the workplace. In the public sector, many local hiring programs require developers and contractors benefitting from public funds to target a percentage of the jobs created through construction or development of new businesses toward local residents. Local hiring ensures that residents benefit from the economic development and investment occurring in their community and supports sustainability goals by bringing residents closer to jobs, reducing commute time and encouraging use of transit, bicycling, and walking. Reducing commute times also gives residents more time with their families and communities, and may enhance civic engagement since residents live and work in the same community. Some local hiring programs also target particular local populations, such as at-risk youth, as part of broader efforts, such as the Cradle-to-Career Initiative in Santa Monica.

### Workforce Demographics

Since the preparation of the [July 26, 2011](#) study session report, the community's population has grown slightly and the percentage of unemployed workers has decreased, while the composition of residents' educational level, professions, and skills remains relatively consistent. According to most recent estimates from the 2012 Census People QuickFacts, Santa Monica has a total population of approximately 91,812, an increase of 2.3 percent since 2010. The California Employment Development Department (EDD) labor statistics estimate that 57,300 of Santa Monica's residents are in the Labor Force, as of April 2013.

The labor force is comprised of the employed and the unemployed. Of the 57,300 people in the labor force, approximately 53,000 or 92.4 percent are employed. The remainder of the City's population, who are counted as "not in the labor force", are generally going to school, retired, or full-time caregivers.



Universe: Labor Force  
 Source: CA EDD-Labor Market Information Division 5/2013; Data Not Seasonally Adjusted

In the 2010 study session, staff noted that 10.5 percent (5,900) of Santa Monica’s population were unemployed based on the US Census Data and EDD Labor Market Information at that time. Currently, Santa Monica’s unemployment is approximately 7.6 percent (4,400). When compared to the City of Los Angeles, the County and State, Santa Monica’s unemployment rate is relatively low.



Universe: Labor Force  
 Source: CA EDD-Labor Market Information Division 5/2013; Data Not Seasonally Adjusted

### Opportunity Youth

A subset of the labor force includes disconnected and disengaged youth also referred to as “opportunity youth”. Opportunity youth are defined as young people between the ages of 16 to 24 who are not in school and not working, or who lack supportive networks. The term originated from the Aspen Institute, an educational and policy studies organization based in Washington, DC. On June 14, 2013, the c2c Work Group called for acceleration of efforts to expand programming to include services such as training, job development and placement, and outreach to opportunity youth. Linking local hiring strategies to efforts to increase stable youth employment could lead to more focused programs offering outreach and training for jobs in top industries in Santa Monica.

### Santa Monica Industries

The North American Industry Classification System or NAICS is used by business and government to classify business establishments according to the type of economic activity for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy. According to most recent EDD data, jobs in Santa Monica continue to be concentrated in the following five industries:

<b>Top Five Industries (EDD - Labor Market Information Division 8/2013)</b>	
<i>NAICS Sector Title</i>	<i>Annual Average Employment in 2012</i>
Accommodation & Food Services	12,595
Professional, Scientific, & Technical Services	10,757
Information	9,259
Retail Trade	8,733
Health Care & Social Assistance	7,934

Accommodation and Food Services, and Professional, Scientific, and Technical Services continue to provide the greatest number of jobs in Santa Monica. There are 20 industries to the NAICS system. Not shown in the table and ranked 15<sup>th</sup> out of the 20 industries by employment is the Construction sector, which provides approximately

1,452 jobs annually or 1.8 percent of the estimated 81,246 jobs in Santa Monica. Within the Construction sector, the top two trades are General Contractor and Architect, representing approximately 50 percent of the active businesses located within Santa Monica that perform services in support of construction or development (Attachment A).

### Existing Local Hiring Strategies

Local hiring policies and practices vary from city to city. Some cities utilize ordinances to address local hiring on large public works projects and other cities impose local hiring in negotiated disposition and development agreements and other public-private contracts. In Santa Monica, the existing strategy includes two major elements: City-sponsored jobs training programs that leverage the expertise of City and non-profit providers and first-source hiring best practices for new private development and public projects.

### Development Agreements

First-source hiring best practices are implemented through case-by-case negotiations in the development agreement (DA) process. Currently, the City utilizes DAs to require that projects follow first-source hiring best practices for construction and permanent jobs. This approach allows the City to maintain flexibility in tailoring recruiting requirements for jobs generated by new development to particular community needs but represents only one element of the City's overall local hiring strategy.

First-source hiring procedures for permanent employment for the life of the project have been included in recent projects such as the 710 Wilshire Hotel and the Village Trailer Park mixed-use retail/residential development. In both cases, first-source hiring is prioritized to targeted job applicants as follows:

- a. First Priority: Low-income residents living within one mile of the Project;
- b. Second Priority: Low-income residents living in Santa Monica census tracts for which 51 percent or more of the households have an income that is no greater than 80 percent of the area median income;

- c. Third Priority: Low-income residents living in Santa Monica, other than the first-priority and second-priority low-income residents; and
- d. Fourth Priority: Santa Monica residents other than the first priority, second priority, and third priority residents.

The negotiated first-source hiring provision for permanent jobs involves implementing an advanced recruitment program giving local residents first opportunity to know about and potentially interview for available jobs. The targeted job opportunities are posted via advertisements in the *Santa Monica Daily Press*, *Santa Monica Mirror* or a similar local newspaper. A developer is required to provide notice to at least two community-based organizations, with a thirty-day “advanced recruitment period” solely for residents, before a job announcement goes to non-residents. The idea behind the practice is that if an employer finds an ideal candidate during the “locals only” recruitment period, the employer may hire that person and the local resident seeking the job has a competitive advantage. Due to legal challenges, the local hiring procedures cannot obligate the developer to hire the candidate. For subsequent job opportunities that occur on the project, the advanced recruitment period is reduced to seven days or the developer has the option of using a targeted job applicants list that is not more than one year old.

Additionally, each developer is required to designate a “first-source hiring coordinator” to manage, monitor, and prepare reports to document compliance with the local hiring requirements set forth in the DA. The key role of the first-source hiring coordinator is to market the project’s first-source hiring program and proactively foster partnerships with local first-source hiring organizations, which may include:

- Local non-profit organizations involved in referring eligible applicants for job opportunities
- Apprenticeship programs at local colleges
- Santa Monica educational institutions
- Trade unions

A developer demonstrates compliance with the first-source hiring provisions in development agreements by documenting completion of each local recruitment requirement. The City's annual monitoring program for each DA starts with an examination of the developer or project owner's reports and support documentation demonstrating compliance with the DA requirements. Each DA is assigned a planner who reviews the project for compliance and monitors the project annually based on the terms stipulated in the DA.

The status of each DA is summarized in the Development Agreement Compliance Report presented to Council in January of each year. The 2013 Compliance Report was presented to Council at its meeting on [January 22, 2013](#). As detailed in the report, five recent DAs that have come before Council for consideration include local hiring as a community benefit.

#### *Disadvantaged Business Enterprise (DBEs)*

The City has several major capital improvement projects currently underway or recently completed. Many of the projects such as the Universally Accessible Playground, Colorado Esplanade, Pier Bridge Replacement and Lincoln Boulevard Street Reconstruction projects are partially or fully funded with grants from the Federal Highway Administration, Housing and Urban Development, Federal Transportation Administration or Caltrans. In exchange for these grants, the City must make the projects open and available to all businesses and individuals to bid and work on; placing a "locals only" preference on federally funded projects is strictly prohibited with certain grants.

Nonetheless, projects funded by federal grants feature a Disadvantaged Business Enterprise (DBEs) goal that requires the contractor to take necessary and reasonable steps to ensure that DBEs have an opportunity to bid and perform work as subcontractors or suppliers. The federal government defines a DBE as a for-profit small business that is at least 51 percent owned by one or more individuals who are both

socially and economically disadvantaged. The federal definition of socially and economically disadvantaged as defined in 49 CFR Part 26.67. Presumptive groups include women, Black Americans, Hispanic Americans, Native Americans, Asian-Pacific Americans, Subcontinent Asian-Americans, or other minorities found to be disadvantaged by the regulations or any individual found to be socially and economically disadvantaged on a case-by-case basis. When a contractor has not met the DBE goal, the contractor is required to provide documentation of good faith efforts and supporting documents.

### *Existing Job Training Programs*

Workforce development, job training and job placement are typically performed at a regional level by the state or county, largely due to funding, organizational capacity, expertise and reach. However, in Santa Monica, in support of the City's Sustainable City Plan and other community objectives, significant resources are allocated annually to job-related programs for special populations in the community, recognizing the importance of social responsibility. For example, in fiscal year 2013-14, Council approved a total of \$8,680,846 in support of comprehensive employment and skill development services for low-income residents, homeless persons, and opportunity youth. The City committed funds to support:

- The City's Trades Intern program: an intensive curriculum that targets older youth with barriers to employment and combines job training and two years of paid experience in skilled positions at the City Yards, as well as counseling and school continuation through the SMMUSD Regional Occupation Program. The program supports 10 paid interns annually. Over the last four years, the Trades Intern Program has graduated 15 interns with 11 landing positions in the trades.
- Direct Youth Employment: the City employs 125 youth in a range of positions including Student Worker, Junior Pool Lifeguard, Police Cadet, Labor Trainee, Video Intern and Administrative Aide.
- The Youth Technology Program: a six-week, workforce-development program designed to provide local youth with a behind-the-scenes introduction to how the City utilizes technology in its daily operations. Students gain insight and hands-on experience with the basic elements of information systems, as well as

exposure to the rapidly expanding “Silicon Beach” business sectors. In its second year hosting the program, the City hosted eight high school seniors and recent graduates who learned how to utilize technology for public safety, transportation, parking and financial management.

- Chrysalis: a non-profit organization dedicated to helping low-income and homeless individuals achieve self-sufficiency by providing the resources and support needed to develop the skills to obtain and maintain employment. Chrysalis performs weekly outreach and service delivery in the Pico neighborhood at Virginia Avenue Park, and is a collaborative partner in the c2c Youth Resource Team (YRT 2.0), providing employment services to youth and their families.
- Jewish Vocational Service: a multi-service employment agency dedicated to helping youth and adults overcome barriers to employment in order to find stable jobs and support their families. The Santa Monica Community At-Risk Youth Employment Program places 100 at-risk, low-income youth in paid work experiences at local businesses, exposing them to educational opportunities and providing skills to be successful in the workplace.
- For FY 13-14, Council provided a one-year award of \$92,688 to the Hospitality Training Academy (HTA) to provide specialized job training, placement, industrial certifications, hiring events and case management to 50 opportunity youth ages 18-24 with employer partners including hotels in Santa Monica and LAX.

#### Project Labor Agreements: Local Hiring Opportunities

Unions, through the use of PLAs, can help a public entity fulfill local hiring goals. Traditionally, PLAs are established between public agencies and building trades unions and often include provisions to use best efforts to recruit local residents to work on construction projects. Under a PLA, construction unions have bargaining rights regarding wages and benefits of all employees working on the project and agree to the PLA provisions. PLAs are intended to promote efficient construction operations and provide for the orderly settlement of labor disputes and grievances without strikes or lockouts, thereby promoting the public interest through timely and cost-effective project completion.

PLAs can work well in communities with high-value capital projects and large populations to draw upon for qualified workers. In general, unions benefit from PLAs as union members are guaranteed work on a project for its members. The use of conventional PLAs, however, may be challenging in Santa Monica for a variety of reasons. First, public and private construction projects in Santa Monica tend to be of a smaller scale than those for which PLAs are used in other communities. Smaller projects can result in various construction trades and construction workers being needed for limited periods of time, thereby limiting the potential impact. Second, less than two percent of Santa Monica's working residents are employed in construction-related jobs, resulting in a relatively small pool available to fill construction jobs. Third, because private developments may not use unionized construction labor, requiring a PLA could significantly affect construction projects. As a result, requiring the use of PLAs for private projects would be challenging, representing a significant shift in the existing City DA process, as described above.

#### Opportunities to Enhance Local Hiring

In spite of the challenges associated with PLAs, the local hiring element of conventional PLAs could be instructive for Santa Monica's goals. For example, PLA practices for monitoring, outreach, partnerships and funding could be incorporated in Santa Monica's program to enhance local hiring at a scale appropriate for Santa Monica's community. Specific options could include:

- **Monitoring.** Many PLAs assign the monitoring of local hiring to an independent, third-party entity to ensure compliance, prepare reports, conduct complaint investigations, and verify wages, payments, and job placement. A third-party monitoring entity could be utilized to assist with monitoring in Santa Monica. The costs of monitoring utilizing a third-party are uncertain at this time, given that PLAs typically involve larger, multi-phase construction projects. However, if the Council chooses to pursue third-party monitoring, the City could issue a Request for Proposals to evaluate potential services and associated costs.

- **Outreach.** Another element of conventional PLAs that could be instructive for Santa Monica is a focus on outreach to prospective local employees, training of those prospective employees, and placement and support in jobs. Such an approach could make a significant impact within the context of DAs because Santa Monica already has a network of organizations working in these areas, including Chrysalis, Jewish Vocational Service, and HTA. Current efforts by these types of organizations could be bolstered if developers were required to go beyond providing notice of job opportunities to the organizations and were encouraged or potentially required to partner with the organizations.
- **Partnerships.** While identifying specific partnerships for funding and job placement are not permitted in a development agreement, a developer could negotiate separate agreements (unrelated and not required by the development agreement) with community organizations. For example, a proposed hotel could choose to partner with HTA by providing funding for job training and support for a specific number of residents who would then be eligible for job placement when the hotel opens. Similar arrangement to support training and job placement could be established for a variety of development types in collaboration with local organizations such as, but not limited to, St. Joseph Center, Family Services of Santa Monica, the Boys and Girls Club, OPCC, Chrysalis, the Pico Family and Youth Center, Santa Monica College, SMMUSD, Santa Monica Police Activities League, and Virginia Avenue Park.
- **Funding.** While it is not possible in the context of a development agreement to require direct monetary contributions to a specified third-party entity, a developer may make a contribution to an interest-bearing trust account held by the developer. The distribution of the funds could then be made through a competitive grant process established by the City based on general parameters established in the development agreement. In recently approved DAs, such contributions have been identified for the specific purpose of childcare tuition subsidies but could be expanded for youth-training opportunities with a special

focus on opportunity youth who could benefit from targeted career development and placement services. Such priorities and their intended target groups and costs would need to be viewed within the context of progress made as part of the Cradle-to-Career Initiative.

### Summary

At this time, an interdepartmental team comprised of Planning and Community Development, Community and Cultural Services and Housing and Economic Development staff will evaluate opportunities to incorporate enhanced local hiring measures in upcoming development agreement negotiations, within the context of current employment trends and community needs. In particular, opportunities to link development agreements that involve the hospitality industry to jobs for Santa Monica's opportunity youth will be evaluated, as this would support aspects of the Cradle-to-Career Initiative and the Sustainable City Plan. Opportunities to incorporate PLA-style practices for monitoring outreach and partnerships surrounding local hiring will also be evaluated within the confines of development agreements. In the meantime, continuing to implement the current best practices related to first-source hiring, as well as existing job training programs, helps ensure that all Santa Monica residents have a competitive advantage in seeking employment opportunities closer to home.

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Appendix A: Construction-Related Businesses with Active Business Licenses  
Located Within Santa Monica

## Appendix A

### Construction-Related Businesses with Active Business Licenses Located Within Santa Monica

<b><i>Business Type</i></b>	<b><i>Total Number of Businesses</i></b>
Architect	108
Architectural Illustration	6
Architectural Renderings	6
Building Supplies	29
Cabinet Contractor	1
Cabinet Shop	2
Carpentry Contractor	9
Carpentry Service	2
Carpet Installation	2
Construction Management Service	2
Construction Services	2
Door Contractor	1
Drywall Contractor	1
Electrical Contractor	24
Electrical Work	1
Engineer	7
Engineer / Civil	8
Engineer / Consulting	15
Engineer / Structural	4
Environmental Consulting	6
Fence Contractor	1
Floor Contractor	4
Floor Coverings	5
General Contractor	145
Glass Contractor	1
Heating & Air Conditioning Contractor	5
Landscape Architect	1
Landscape Contractor	8
Landscape Design	24
Landscaping	3
Marble Contractor	2
Masonry Contractor	2
Painting Contractor	10
Pest Control Company	2

Plaster Contractor	1
Plumbing Contractor	29
Roofing Contractor	4
Rubbish Hauling	1
Sheet Metal Contractor	1
Sign Contractor	1
Specialty Contractor	4
Sprinkler Contractor	1
Tile Contractor	2
Tree Service	1
Welding Contractor	1
Welding Service	1
Window Cleaning	3
Window Covering Contractor	1
Window Screens	1
Grand Total of Santa Monica- Based Construction Businesses*	501

*\*Please note: some businesses may have multiple business licenses, depending on the variety of services they offer.*

Source: Santa Monica Businesses Licenses 2013, City of Santa Monica Finance Department