



Request for City Council Committee Action from the Department of Community Planning & Economic Development

Date: June 6, 2006

To: Council Member Lisa Goodman, Community Development Committee

Subject: CPED Prevailing Wage Policy and Registered Apprenticeship Policy Change for Single Family Development

Recommendation: Change the CPED Prevailing Wage Policy and Registered Apprenticeship Policy as they relate to single family detached housing development.

Previous Directives: On June 18, 2004, the City Council re-affirmed CPED's policies on prevailing wages and apprenticeship training.

Prepared by: Cherre Palenius, Sr. Project Coordinator **Phone:** 612 673-5241

Approved by: Chuck Lutz, Deputy Director CPED _____
Elizabeth Ryan, Directory of Housing Policy & Development _____

Permanent Review Committee (PRC) Approval Not Applicable

Note: To determine if applicable see <http://insite/finance/purchasing/permanent-review-committee-overview.asp>

Presenter in Committee: Cherre Palenius

Financial Impact (Check those that apply)

- No financial impact (If checked, go directly to Background/Supporting Information).
- Action requires an appropriation increase to the Capital Budget or Operating Budget.
- Action provides increased revenue for appropriation increase.
- Action requires use of contingency or reserves.
- Business Plan: Action is within the plan. Action requires a change to plan.
- Other financial impact (Explain):
- Request provided to department's finance contact when provided to the Committee Coordinator.

Community Impact (use any categories that apply)

Neighborhood Notification: A 45-day notice was sent to all of the neighborhood groups and interested parties on April 24, 2006 with comments due back on June 5, 2006.

City Goals: Not applicable

Comprehensive Plan: Not applicable

Zoning Code: Projects will comply.

Other: None

Background/Supporting Information

As part of the transition from MCDA to CPED, the City re-evaluated its Prevailing Wage Policy as it applied to development activity. For various reasons, the City determined to retain and clarify the former MCDA Prevailing Wage Policy. The staff report submitted to the City Council in June of 2004 and the adopted Policy itself specified that the new Prevailing Wage Policy would be applied to development projects where CPED provided direct or indirect assistance to a developer or owner to facilitate the construction or rehabilitation of a project. Exceptions to the Policy include certain small residential developments consisting of less than 8 units, small business loans, grants-in-aid used exclusively for Brownfield's remediation, and refinancing of existing projects (Attachment A).

Typically, single-family home builders are non-union businesses and the sub-contractors who build these homes are also non-union shops. All mechanical trades and carpenters are paid the prevailing wage rate for single family and multifamily construction. The requirement to pay union wages to all trades, including what the industry calls "non-skilled labor" (roofers, painters, etc.), involved in the construction of a single family home is an anomaly unique to Minneapolis. Many of the non-skilled small businesses engaged in single-family home construction do not pay prevailing wages. These policies when applied to single family construction are counter-intuitive. Generally, as an industry, roofing, siding, sheetrock, painting and flooring contractors determine their prices based on the square footage of the job (house), the cost of their materials, and what the market is paying, based on how quickly they can finish the job. Wages are determined by how fast and efficient a crew is.

Staff has received anecdotal information that the CPED Prevailing Wage and Registered Apprenticeship policies increase construction costs by about 10% to 15% or approximately \$23,000 to \$25,000 more per unit, which is added to the sales price and ultimately passed on to the consumer. Unlike multifamily, industrial and commercial construction where union labor is commonly used, requiring union wages in an industry that does not typically pay union wages equates to disproportionate housing costs in Minneapolis as compared to the rest of the metropolitan area. CPED's prevailing wage policy as applied to detached single family construction is also seen as a entry barrier into the construction industry by small emerging businesses. Small emerging businesses are trying to gain experience through winning smaller single-family jobs by undercutting the prices of the competition. They cannot compete on experience. By removing their ability to compete on price, they are at a distinct disadvantage for winning those smaller single-family jobs.

As always, any requirements that apply to a particular funding source shall over-ride the requirements of our local policies. However, federal Davis-Bacon requirements also generally exempt single family development.

Staff is requesting policy changes for development of detached single family dwelling units on contiguous or scattered sites, regardless of the number of homes being constructed, unless federal regulations impose Davis-Bacon requirements. As of the writing of this report, staff has received one written comment from the general public in favor of this action. Since the public comment period ends on June 5, staff will bring written comments received to the meeting.

Attachments:

Public Hearing Notice
Revised Policies