



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

**Date:** June 8, 2004

**To:** Council Member Lisa Goodman, Community Development Committee

**Prepared by:** Jeff Schneider, 612-673-5124

**Presenter in Committee:** Jeff Schneider, Roger Nubbe (Civil Rights), Chip Wells (CPED)

**Approved by:** Chuck Lutz, Deputy CPED Director \_\_\_\_\_

**Subject:** Further transition work on CPED policies: prevailing wages and apprenticeship requirements

**RECOMMENDATION:** 1) Adopt the attached policy on prevailing wages  
2) Adopt the attached policy on apprenticeship programs  
3) Receive and file the attached table of compliance policies

**Previous Directives:** MCDA policies on prevailing wages originally date from the 1970's; they were revised by the Board on August 5, 1994 and August 14, 2001; the City ordinance on prevailing wages regarding Public Works contracts was adopted on November 23, 1983; MCDA policies on apprenticeship programs were established on March 16 and June 29, 1983, and amended on August 2, 1990.

<p><b>Financial Impact</b> (Check those that apply)</p> <p><input type="checkbox"/> No financial impact - or - Action is within current department budget. (If checked, go directly to next box)</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Capital Budget</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Operating Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p> <p><input checked="" type="checkbox"/> Other financial impact (Explain): see report regarding prevailing wages</p> <p><input type="checkbox"/> Request provided to the Budget Office when provided to the Committee Coordinator</p>
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**Community Impact** (Summarize below)

**Ward:** N/A

**Neighborhood Notification:** N/A

**City Goals:** N/A

**Comprehensive Plan:** N/A

**Zoning Code:** N/A

**Living Wage/Job Linkage:** Is referenced along with other regulatory policies in summary table.

**Background/Supporting Information**

As part of the transition from MCDA to CPED, staff has reviewed various MCDA and City policies to determine what changes, if any, are needed to operate the development function within the new department. In a report to your committee last November, staff advised the Council that further work was needed on regulatory policies. A subgroup of staff from City Attorney, Civil Rights, CPED, and Finance have analyzed the City and MCDA regulatory framework regarding policies such as Affirmative Action, prevailing wage, Small and Underutilized Business Program, etc. In most cases, the applicable City or federal policy will apply to CPED and there is no need for further Council action. This report addresses two cases where City and prior MCDA policies are different, requiring explicit policy direction: prevailing wages and apprenticeship programs. Additionally, we have included an overall table which describes existing compliance policies as they apply to various CPED programs, which summarizes most regulatory policies and is included as a reference.

**PREVAILING WAGES**

Prevailing wage policies generally require developers or property owners to select general contractors or construction managers who will require and enforce payment of union-scale wages to subcontractors and laborers. Union-scale wages are paid regardless as to whether or not union laborers are actually hired to perform construction work.

**HISTORY**

The current City of Minneapolis prevailing wage ordinance was adopted in 1983. It repealed a 1960 ordinance. The prevailing wage ordinance applies to any contract between the City and a contractor for the construction, repair or maintenance of public improvements and structures. The City prevailing wage ordinance mandates that the contract include a provision that all employees and laborers will be paid the prevailing wage payable under federal labor standards applied under the US Davis-Bacon Act and related federal labor laws.

A prevailing wage policy pertaining to development activity was originally adopted by the Housing and Redevelopment Authority, one of the predecessors to the MCDA, on August 18, 1977 and amended in July 1978. Subsequent actions by the MCDA in

1987, 1994, and 2001 formally established that policy for the MCDA and it was later modified to cover additional programs and create certain clarifying exemptions to mirror the federal policies, notably for housing projects of less than 8 units.

The MCDA Prevailing Wage Policy applies existing federal prevailing wage standards to projects which would not otherwise be subject to these standards, notably locally funded privately-developed projects where the City has provided financial assistance to the developer, owner or contractor. The MCDA Prevailing Wage Policy does not require the MCDA (or its successor, CPED) to be a party to the contract for the construction of housing or other private improvements. Instead, the MCDA has indicated in the “development agreement” or similar document that the developer is responsible for informing the general contractor and its subcontractors or construction contractor that they are subject to the local prevailing wage policy. This is a key difference between the City’s and MCDA current policies. Further differences are summarized in the Attachment A.

## ANALYSIS

As with most policy choices, there are pros and cons. Staff did not automatically assume that CPED should maintain the existing MCDA policy on prevailing wages, even though it is longstanding practice. In the interest of full disclosure, staff has assembled the following arguments both for and against having a prevailing wage policy that goes beyond federal requirements:

Arguments in favor of maintaining a local prevailing wage policy:

1. Payment of “Prevailing Wages” supports the City goal of job growth and economic development

The CPED Prevailing Wage Policy will promote the establishment of standard wage rates for laborers and mechanics hired to work on publicly-assisted construction projects. Payment of “prevailing wages” by general contractors will enable the laborers and mechanics to earn not just the “living wage” required to afford basic necessities such as shelter, food, transportation, and clothing, but may enable prevailing wage recipients to purchase additional consumer goods and services and education by both workers and within their households. The additional spending and enhanced educational opportunities can have a “multiplier effect” and increase secondary employment in not only the City, but throughout the metropolitan area and the State.

2. Payment of “Prevailing Wages” may increase standards in the construction industry

The CPED Prevailing Wage Policy may encourage the building and trades industry to construct better dwellings and improvements. Payment of “prevailing wages” may attract better educated laborers and encourage existing laborers to seek enhanced job skills. A better educated, more skilled labor force will theoretically allow construction projects to be completed faster, more efficiently and with fewer errors. Construction projects that are completed more efficiently and with fewer errors enhances the profitability for developers and investors and encourages developers to use better

building materials designed to increase the longevity and value of the dwellings and improvements constructed.

3. Payment of “Prevailing Wages” is already required under federal statutes for most federally funded projects

The Davis-Bacon Act (the “Act”) applies to most construction projects which receive some form of federal financial assistance from the US Department of Housing and Urban Development (HUD). For example, the Act requires most multi-family building owners or developers who receive HUD Community Development Block Grant (CDBG) funds and their contractors and sub-contractors to pay laborers and mechanics “prevailing wages.” The Act also requires the contractors and sub-contractors to maintain and submit weekly payroll reports for monitoring by the City’s Department of Civil Rights and review by HUD. Since the Act requires the payment of “prevailing wages” at construction projects that receive federal funds, it is logical to extend the requirements of the Act to construction projects that receive some form of assistance from the City. A source of potential confusion will arise if projects assisted with federal funds are subject to “prevailing wage” requirements while projects that receive some other form of assistance from CPED are not required to pay “prevailing wages.” The problem of confusion is magnified when one considers that most federal funding may only be used to promote the development of new or rehabilitation of existing housing for low-to moderate-income persons and households. It seems counterintuitive to require the payment of “prevailing wages” on low-to moderate-income housing projects while not imposing the same requirement on housing projects without rent or income restrictions. Arguably, the housing projects without rent and income restrictions are less sensitive to labor costs.

Arguments in opposition to retaining a local prevailing wage requirement:

1. The payment of “Prevailing Wages” is likely to increase construction costs

The payment of “prevailing wages” to laborers and mechanics is likely to increase the cost to produce housing and other improvements. The CPED staff has not compiled empirical data to measure or quantify the sense that construction costs are increased as a result of the payment of “prevailing wages.” Building owners and developers have provided anecdotal evidence to suggest that the requirement that they pay “prevailing wages” to laborers and mechanics increases their construction and rehabilitation costs. If the payment of “prevailing wages” does increase construction costs, then the cost increase will trigger a request to the City for additional public financial assistance or subsidy.

2. The Payment of “Prevailing Wages” may reduce the number of affordable housing units that may be constructed or renovated.

The increase in construction costs due to the payment of “prevailing wages” for housing across all of the projects assisted by the City in any year or other measurable time period is likely to reduce the amount of public dollars available to assist the housing

projects. Fewer public dollars available for all housing projects will theoretically reduce the number of affordable housing units that may be constructed or renovated.

### 3. The Payment of “Prevailing Wages” is contrary to the City’s goal of promoting “Small and Underutilized Businesses”

The City enacted Chapter 423 to the City Code of Ordinances in order to promote the hiring and retention of “small and underutilized businesses” by developers and contractors of construction projects assisted by the City. The City and Hennepin County conducted a “disparity study” in 1998. The “disparity study” determined that “small and underutilized businesses” including those owned by women and minorities were disproportionately underrepresented in the building and trade industry. “Small and underutilized businesses” appear willing to accept payment of less than the “prevailing wage” to obtain construction work. The requirement that developers and contractors pay “prevailing wages” prevents “small and underutilized businesses” from gaining a “foothold” in the building and trades industry. All things being equal, a contractor will hire a “known commodity” in the form of existing laborers and mechanics versus new, untested businesses if the contractor must pay the same wage to either entity. The payment of “prevailing wages” has been viewed as a “barrier to entry” to the construction industry by “small and underutilized businesses.”

### 4. The City incurs costs in the enforcement of Prevailing Wages but may not realize benefits for women and minorities

Currently all laborers and mechanics employed on City assisted construction projects must be paid at the rate of a journey-worker unless the worker is enrolled in a State approved apprenticeship program. In the past, women and minorities have not participated in such apprenticeship programs in proportion to their numbers in the population of the local area. All trades must submit an affirmative action program to the Minnesota Department of Labor to address the recruitment and placement of women and minorities into their respective apprenticeship programs. An analysis of demographic data obtained from the 2000 census indicates that these programs have yielded mixed results, with most unions not realizing a significant increase of women and minorities in their ranks. Given this situation and because it costs the City to enforce a local prevailing wage ordinance it is reasonable to enforce prevailing wages for unions that have entered into an agreement with the City to develop training programs or have otherwise developed a program to facilitate the entrance of women and minorities into their Unions. In this way the costs of enforcement would be offset by the realization of an increase of women and minorities into the building trades unions.

### 5. Maintenance of “Prevailing Wage” payroll records increases contractor administrative costs

Developers and contractors maintain that the requirement that they maintain payroll records for a construction project to demonstrate compliance with “prevailing wage policies” adds to their administrative costs. The additional administrative costs translate into increased project costs. Affordable housing projects are especially sensitive to increased project costs.

## RECOMMENDATION: CONTINUE A LOCAL PREVAILING WAGE POLICY

CPED staff believe the City should retain and clarify the former MCDA Prevailing Wage Policy. Staff reached this conclusion for two reasons. First, staff fear that a potential source of confusion will arise if federally-funded housing developments are subject to prevailing wage statutes, but locally-funded housing projects are exempt from the payment of prevailing wages to subcontractors and laborers. Additionally, staff believes the problem is magnified by the requirement that federally-funded housing projects are designed to benefit low-moderate income persons and households while locally-funded housing projects are not statutorily subject to the same affordability requirements. The payment of prevailing wages is likely to increase the cost to produce housing. It seems counterintuitive to apply a prevailing wage requirement to low-moderate housing projects and not to locally-funded housing projects where the income limitations are less restrictive and thereby housing production costs are less sensitive to labor costs. For these reasons, staff recommends that a local prevailing wage policy be retained and applied to development projects where CPED provide direct or indirect assistance to a developer or owner. The proposed policy is enclosed as Attachment B.

Staff considered but ultimately decided not to recommend amending the current City Prevailing Wage ordinance rather than adoption of a stand alone CPED Prevailing Wage Policy at this time. The City ordinance applies to all city-owned property but is primarily applicable to improvements constructed under contracts let by the Department of Public Works. It was determined that the proposed policy should only apply to development projects assisted by CPED. Staff decided not to recommend amending the Prevailing Wage Ordinance to require the payment of prevailing wages in all third party contracts regulated by all City departments. Staff did not have the opportunity to analyze the effect of an ordinance amendment upon the various City departments that would be affected. Instead, staff recommends that the CPED staff monitor and review the effect of the proposed CPED Prevailing Wage Policy and report its findings to this Committee within 24 months or some other pre-determined period.

## **Apprenticeship Programs**

### BACKGROUND

Registered apprenticeship is a state administered program that prepares employees for high-skill occupations. An apprenticeship program is a structured system of hands-on paid training and related technical instruction. Apprenticeship programs last from 2,000 to 10,000 hours and produce highly skilled trained individuals with a life time career. In many cases it is an excellent alternative to a four year college degree.

In March of 1983 the Minneapolis Community Development Agency (MCDA) Board of Commissioners adopted a policy that required all construction contracts in excess of \$10,000 to include evidence that the prime contractor and their subcontractors participated in a registered apprenticeship program. In June of 1983 the policy was modified to adjust the contract amounts that triggered the policy: Prime bidders -

\$45,000, Subcontractors - \$4,000, single purpose contractors - \$4,000. Non-apprenticeable trades were made exempt from the policy as determined by the Minneapolis Department of Labor and Industry. In August of 1990 the policy was again amended. The trigger amount was changed to \$25,000 for all the categories of contractors. The policy was extended to other construction contracts let by others as a result of MCDA providing financial, land or other assistance. Residential construction for contracts less than eight units were made exempt from the policy.

There is no corresponding City policy on apprenticeships.

With the creation of Community Planning and Economic Development (CPED) the existing MCDA apprenticeship training requirement was reviewed by representatives of the MN Department of Labor and Industry, Minnesota Mechanical Contracting Association, the Minneapolis Building Trades, Construction Careers Coalition and METP. The purpose of the review was to determine whether the MCDA policies should be adopted by CPED.

#### RECOMMENDATION: REVISE EXISTING APPRENTICESHIP POLICY

Based on conversations with the above parties, staff recommends that the apprenticeship training policy be continued with the following changes: the contract amount triggers be changed to \$100,000 for the prime contract and \$50,000 for subcontracts. The CPED Director will be responsible for developing procedures to insure compliance.

The proposed apprenticeship program as revised is attached to this report as Attachment C.

#### **Summary Table of Compliance Programs**

For the last few years, MCDA staff have distributed a summary of all applicable contract compliance policies as a guide for project and legal staff. This table has been updated to reflect these policies as they apply to most current CPED programs. The entries for the two proposed policies are included, pending Council adoption of the recommended actions. Should the City Council amend or reject the recommendations, the table will be changed to reflect final Council action. The updated table – Attachment D - is included as a reference only, not as a separate action, since it merely summarizes current local and federal policies.

Attachment A  
**COMPARISON OF PREVAILING WAGE PROVISIONS**  
**CITY ORDINANCE SECTION 24.200 – 24.260**  
**and**  
**MCDA POLICY ADOPTED JULY 18, 1994**  
*Gary Winter analysis 12-10-03*

<i>Category</i>	<i>City Ordinance</i>	<i>MCDA Policy</i>
Type of Improvements	Public Property, Buildings and alterations thereof; Public Improvements such as streets, sewers, etc.	Public Improvements constructed by developers and financed by MCDA; Improvements to Private Property where the value of the improvements is > \$2,000*
Parties to Contract	City <u>must</u> be a party to contract for construction, alteration or repair of public property, buildings or improvements	MCDA need not be a party; MCDA sale of property or provision of financial assistance triggers prevailing wage policy*
Wage Standards	Federal labor standards which apply prevailing wages in accordance with the Davis-Bacon Act	US Department of Labor prevailing wage standards
Applicability of Prevailing Wage Standards	Contractor and all subcontractors to City contract	Contractors and all subcontractors that work on development
Time of Attachment	After bid opening and prior to signing contract with City (general contractor submits list of all subcontractors, classes of laborers and mechanics to City monitoring officer)	At time developer and MCDA sign agreement for sale of property and/or provision of financial assistance
Enforcement	Payroll records submitted to City monitoring office periodically and upon request	Payroll records maintained by developer's general contractor; only submitted to MCDA if complaint is filed by laborer or mechanic
Remedies	<ul style="list-style-type: none"> <li>(1) City Finance Office directed to suspend payment under contract until payroll data provided;</li> <li>(2) City Finance Office directed to withhold payments under contract during periods of non-compliance with prevailing wage ordinance;</li> <li>(3) Termination of contract and present payment bond to surety for funds to complete work at prevailing wages;</li> <li>(4) Placement of contractor or subcontractor(s) found to be in non-compliance on suspension or disbarment list (contractor(s) on lists barred from being awarded future contracts with City until defaults are cured)</li> </ul>	<ul style="list-style-type: none"> <li>(1) Payment by developer whose contractor or subcontractor found in violation of unpaid wages and liquidated damages of \$200;</li> <li>(2) Withhold MCDA financial assistance during non-compliance period and pay same to laborers and/or mechanics;</li> <li>(3) Termination of contract between MCDA and developer;</li> <li>(4) Placement of developer and contract/subcontractor found to be in violation on debarment list.</li> </ul>

\* Exceptions to MCDA Policy

- (a) rehabilitation of single-family dwelling by owner or by contractor for an owner-occupant
- (b) single or multi-family housing projects of < 8 units
- (c) Commercial or industrial loans originated by a private lender where MCDA provides supplemental public dollars and private lender originates, administers, and collects both private and public dollars
- (d) NRP residential loans or grants where < 8 units are assisted
- (e) NRP commercial industrial loans where private dollars are supplemented with public dollars as in exception (c) above; and
- (f) NRP commercial paint and fix programs or rehabilitation programs where total rehabilitation costs are < \$100,000.

**City of Minneapolis**  
***PREVAILING WAGE POLICY***  
**for real estate developments assisted by**  
**the Department of Community Planning**  
**and Economic Development**

Brief Description	Require developers and contractors of City-assisted development projects to pay prevailing wages to laborers and mechanics
Type (enterprise or departmental)	Departmental
Applies to	Contractors and sub-contractors retained by developers of private property where developer has entered into contract with the City through CPED
Department responsible for the policy	CPED and Civil Rights
Approval Authority	City Council
History: Approval date, effective date, revisions	Adopted by the former Minneapolis Housing and Redevelopment Authority (HRA) on August 18, 1977 for rehabilitation contracts greater than \$2,000; amended by the HRA on July 21, 1978 to apply to all rehabilitation and new construction contracts greater than \$2,000 except for owner-occupied single family and duplex units; Amended by the Minneapolis Community Development Agency (MCDA) on February 20, 1987 to include all tax exempt bond, conduit financing projects; clarified and amended by the MCDA on August 4, 1994 to exclude residential construction or rehabilitation projects of fewer than eight (8) units and most NRP-financed programs; further clarified and published by MCDA in Administrative Bulletin # 58, dated September 18, 2001
Related mandates	Section 24.200 through Section 24.270, City Code of Ordinances
Links: procedures, forms	CPED Prevailing Wage Monitoring and Enforcement Procedures and Civil Rights Wage Determination Form
Questions to	CPED

### **1.0 Policy Purpose**

The City of Minneapolis (hereafter "City") recognizes the need for a Prevailing Wage Policy (the "Policy") The Policy provides for developers and contractors who purchase land or receive financial assistance from the City to pay "prevailing wages" to laborers and mechanics retained by developers, contractors and their sub-contractors. The City assigns the responsibilities connected with this Policy to the Department of Community Planning and Economic Development (CPED) and the Department of Civil Rights.

## **2.0 Scope of Policy**

The Policy will supplement the City Prevailing Wage Ordinance referenced above. The City Prevailing Wage Ordinance applies to City contracts for the construction of public buildings or improvements, maintenance or repair work to public buildings or improvements, and demolition or excavation work on City-owned property. As under the City Prevailing Wage Ordinance, the Policy will require the developer and its contractor and sub-contractors to compile and maintain payroll information as required in the Davis-Bacon Act under the regulations promulgated in 29 CFR Part 5.

## **2.1 Application to Third Party Construction and Development Contracts**

The Policy applies to contracts for construction or rehabilitation work on privately-owned property where the City has provided direct or indirect assistance to the developer or owner of the property.

Typically, the City will enter into a two-party agreement with a developer. The agreement may involve, but not be limited to, a development agreement, a land sale contract, a loan agreement, a lease, or a similar type of agreement. The developer will enter into an agreement a contractor who is retained to actually undertake the construction or rehabilitation work on behalf of the developer. The Policy will be apply to the developer with whom the City has a direct, contractual relationship, and with the contractor with whom the City has an indirect, third party relationship by virtue of the developer's contract with the contractor and its sub-contractors.

## **2.2 City Assistance that Triggers the Policy**

The Policy will be invoked when the City provides "direct" or "indirect" assistance to a developer or owner to facilitate the construction or rehabilitation of a project.

### **2.2.1 Direct Assistance**

Direct assistance means any financial assistance provided to a property owner or developer in excess of \$2,000 (subject to the exceptions listed in Section 2.3) including the financial resources indicated in this Sub-section 2.2.1 and such other resources identified by the CPED staff.

- (a) tax increment financing;
- (b) development account funds;
- (c) local tax levy funds;
- (d) federal funds (e.g. Community Development Block Grant) and program income derived from the federal funds used to finance local programs (subject to the exceptions listed in Section 2.3); and
- (e) NRP funds (subject to the exceptions listed in Section 2.3).

**2.2.2 Indirect Assistance** Indirect assistance means forms of conduit financial assistance including tax exempt bonds and certain intergovernmental transfers or grants, assistance provided through the acquisition and disposition of real property at or less than the "fair reuse value" as determined by the City, and such other forms of assistance identified by the CPED staff.

- (a) housing revenue bonds for developments of eight or more units;
- (b) industrial development bonds;
- (c) revenue bonds insured in part by the "Common Bond Fund";

- (d) revenue bonds issued on behalf of an entity exempt from taxation according to Section 501(c)(3) of the Internal Revenue Code;
- (e) land acquisition and disposition using the City's eminent domain authority;
- (f) land disposition at or below the "fair reuse value" regardless as to whether or not land sale proceeds are escrowed for geotechnical correction or environmental remediation costs; and
- (g) Metropolitan Council Livable Community Development Account (LCDA) grant funds.

### **2.3 Exceptions to the Policy**

The Policy is not applied when the City provides certain forms of financial or other assistance. The projects or programs excluded from or which are exceptions to the Policy include certain small residential developments, small business loans, grants-in-aid used exclusively for brownfields remediation, and the refinancing of existing projects previously subject to the Policy. The exceptions to the Policy include the following:

- (a) financial assistance used to rehabilitate or construct a housing project of less than eight units;
- (b) financial assistance used to rehabilitate or construct a single family dwelling or duplex to be owned and occupied by the recipient of the financial assistance;
- (c) purchase of real property in order to construct a single family dwelling or duplex structure or for improvements constructed on "sideyards" (as that term is defined in the Real Property Disposition Policy);
- (d) purchase of land and/or receipt of financial assistance by an organization that promotes affordable home ownership opportunities through the extensive use of volunteer labor and/or sweat equity components to rehabilitate or construct dwellings;
- (e) small business loan programs where public dollars are leveraged or supplemented with the private dollars of a participating lender that originates, services and collects the public and private loan payments under an agreement with the City;
- (f) non-residential loan programs administered by neighborhood-based or other non-profit development organizations;
- (g) commercial fix and paint matching grant programs;
- (h) new construction or rehabilitation programs for commercial and industrial properties with loan or grant amounts of less than \$100,000;
- (i) NRP funds used for the construction or rehabilitation of less than eight residential units;
- (j) NRP funds in amounts less than \$100,000 used for the construction or renovation of a commercial or industrial property;
- (k) low income housing tax credits (LIHTC) provided pursuant to 26 U.S.C., Section 42; and
- (l) taxable or tax-exempt financing issued by the City or MCDA for projects located outside of the City of Minneapolis.

**3.0 Policy Responsibilities** The Policy will be approved, administered and enforced as indicated in this Section 3.0.

### **3.1 Mayor/City Council**

The Mayor and City Council establish new policies for the City and approved this Policy.

### **3.2 CPED Director**

Under the CPED Director's direction, staff will be designated to:

- determine financial and other resources that are subject to the Policy.
- determine the procedure for application of and enforcement of the Policy.

**3.3 Department of Civil Rights** Upon the filing of a written complaint with CPED, the Department of Civil Rights will make prevailing wage determinations and review payroll information submitted by the developer or contractors.

### **4.0 Effect on Other Policies**

This policy replaces any and all previous MCDA prevailing wage policies unless the exception is listed below.

- There are no other Prevailing Wage Policies.
- See also the City Prevailing Wage Ordinance, Section 24.200 through Section 24.270, Code of Ordinances.

### **5.0 Effective Date of Policy**

This policy is effective on July 1, 2004.

Attachment C

**City of Minneapolis**  
**REGISTERED APPRENTICESHIP POLICY**  
**for real estate developments assisted by**  
**the Department of Community Planning**  
**and Economic Development**

Brief Description	Require developers and contractors of City-assisted, CPED administered development projects to use registered apprenticeship programs
Type (enterprise or departmental)	Departmental
Applies to	Contractors and sub-contractors retained by developers of private property where developer has entered into contract with the City
Department responsible for the policy	CPED
Approval Authority	City Council
History: Approval date, effective date, revisions	Originally a policy of the Minneapolis Community Development Agency (MCDA) approved in March of 1983. It was modified in June of 1983 and August of 1990. The modifications increased the application of the policy to construction contracts let by others as the result of financial, land or other assistance provided by MCDA. The dollar amount triggering the policy was adjusted.
Related mandates	None
Links: procedures, forms	<a href="http://www.doli.state.mn.us/appr.html">www.doli.state.mn.us/appr.html</a>
Questions to	CPED

**1.0 Policy Purpose**

The City of Minneapolis (hereafter "City") recognizes the need for a Registered Apprenticeship Policy (the "Policy") The Policy provides for the contractors of the developers who purchase land or receive financial assistance from the City to hire laborers and mechanics and to require their sub-contractors to hire laborers and mechanics who are trained or being trained through a registered apprenticeship program certified by the State of Minnesota, Department of Labor and Industry. The City assigns the responsibilities connected with this Policy to the Department of Community Planning and Economic Development (CPED).

## **2.0 Scope of Policy**

The City Registered Apprenticeship Policy (the “Policy”) applies where CPED administers contracts entered into by the City and a developer of a development project that provides for the construction of buildings or improvements, maintenance or repair work to buildings or improvements, and demolition or excavation work on privately-owned property. The Policy will require the developer and its contractor and sub-contractors to use a Registered Apprenticeship Program as determined by the Minnesota Department of Labor and Industry Bureau of Apprenticeship.

### **2.1 Application to Third Party Construction and Development Contracts**

The Policy applies to contracts for construction or rehabilitation work on privately-owned property where the City has provided direct or indirect assistance to the developer or owner of the property.

Typically, the City will enter into a two-party agreement with a developer. The agreement may involve, but not be limited to, a development agreement, a land sale contract, a loan agreement, a lease, or a similar type of agreement. The developer will enter into an agreement with a contractor who is retained to actually undertake the construction or rehabilitation work on behalf of the developer. The Policy will apply to the developer with whom the City has a direct, contractual relationship, and with the contractor with whom the City has an indirect, third party relationship by virtue of the developer’s contract with the contractor and its sub-contractors.

### **2.2 City Assistance that Triggers the Policy**

The Policy will be invoked when the City provides “direct” or “indirect” assistance to a developer or owner to facilitate the construction or rehabilitation of a project.

**2.2.1 Direct Assistance** Direct assistance means a contract amount in excess of \$100,000, entered into by a developer and a contractor (subject to the exceptions listed in Section 2.3), where the City, CPED, provides one or more of the financial resources indicated in this Sub-section 2.2.1 and such other resources identified by the CPED staff.

- (a) tax increment financing;
- (b) development account funds;
- (c) local tax levy funds;
- (d) federal funds (e.g. Community Development Block Grant) and program income derived from the federal funds used to finance local programs (subject to the exceptions listed in Section 2.3); and
- (e) NRP funds (subject to the exceptions listed in Section 2.3).

**2.2.2 Indirect Assistance** Indirect assistance means forms of conduit financial assistance including tax exempt bonds and certain intergovernmental transfers or grants, assistance provided through the acquisition and disposition of real property at or less than the “fair reuse value” as determined by the City, and such other forms of assistance identified by the CPED staff.

- (a) housing revenue bonds for developments of eight or more units;
- (b) industrial development bonds;
- (c) revenue bonds insured in part by the “Common Bond Fund;”

- (d) revenue bonds issued on behalf of an entity exempt from taxation according to Section 501 (c) (3) of the Internal Revenue Code;
- (e) land acquisition and disposition using the City's eminent domain authority;
- (f) land disposition at or below the "fair reuse value" regardless as to whether or not land sale proceeds are escrowed for geotechnical correction or environmental remediation costs; and
- (g) Receipt by a developer from the City of intergovernmental grant-in-aid in the cumulative amount of at least \$100,000 from sources including, but not limited to the Metropolitan Council Livable Community Development Account (LCDA) grant fund and the State of Minnesota, Department of Employment and Economic Development (DEED) redevelopment grant program.

**2.2.3 Application to Subcontractors** The policy also applies to all subcontractors of the contractor, property owner or developer for subcontracts in excess of \$50,000.

### **2.3 Exceptions to the Policy**

The Policy is not applied when the City provides certain forms of financial or other assistance. The projects or programs excluded from or which are exceptions to the Policy include certain small residential developments, small business loans, grants-in-aid used exclusively for Brownfield's remediation, and the refinancing of existing projects previously subject to the Policy. The exceptions to the Policy include the following:

- (a) financial assistance used to rehabilitate or construct a housing project of less than eight units;
- (b) financial assistance used to rehabilitate or construct a single family dwelling or duplex to be owned and occupied by the recipient of the financial assistance;
- (c) purchase of real property in order to construct a single family dwelling or duplex structure;
- (d) purchase of land and/or receipt of financial assistance by an organization that promotes affordable home ownership opportunities through the extensive use of volunteer labor and/or sweat equity components to rehabilitate or construct dwellings;
- (e) small business loan programs where public dollars are leveraged or supplemented with the private dollars of a participating lender that originates, services and collects the public and private loan payments under an agreement with the City;
- (f) non-residential loan programs administered by neighborhood-based or other non-profit development organizations;
- (g) commercial fix and paint matching grant programs;
- (h) new construction or rehabilitation programs for commercial and industrial properties with loan or grant amounts of less than \$100,000;
- (i) NRP funds used for the construction or rehabilitation of eight or more residential units;
- (j) NRP funds in excess of \$100,000 used for the construction or renovation of a commercial or industrial property;

- (k) DEED environmental clean-up grant funds and Hennepin County Emergency Response Funds (ERF) for environmental remediation costs; and
- (l) non-apprentice trades as determined by the Minnesota Department of Labor and Industry.
- (m) taxable or tax-exempt financing issued by the City or MCDA for projects located outside of the City of Minneapolis.

**3.0 Policy Responsibilities** The Policy will be approved, administered and enforced as indicated in this Section 3.0.

**3.1 Mayor/City Council**

The Mayor and City Council establish new policies for the City and approved this Policy.

**3.2 Department of Planning and Economic Development**

Under the CPED Director's direction, staff will be designated to:

- determine financial and other resources that are subject to the Policy
- determine the procedure for enforcement of the Policy

**4.0 Effect on Other Policies**

This policy supercedes any and all MCDA registered apprenticeship policies.

**5.0 Effective Date**

This policy is effective July 1, 2004.

**Attachment D**

**SUMMARY OF COMPLIANCE REQUIREMENTS FOR CPED PROGRAMS AND PROJECTS  
Matrix of Programs and Activity Types Showing Applicability of Federal (Davis-Bacon)  
Prevailing Wage Requirements, City Prevailing Wage Requirements;  
Affirmative Action and Related Requirements; and Other Requirements.**

Note: This matrix is effective as of 7/1/04 and may not be all-inclusive. If the type of funding changes for any particular program, then requirements may also change.

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>CITY PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS- BACON PREVAILING WAGE POLICY &gt; \$2,000</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGES**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
CDBG Funds  7 units or less 8 units or more other/ non-housing projects	Federal	No No	No Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	No No Yes	No Yes	Residential Construction (but may be used for other activities)
HOME Funds  7 units or less 8 – 11 units 12 units or more	Federal	No Yes No	No No Yes	Yes Yes Yes	Yes Yes Yes	Yes Yes Yes	Yes Yes Yes	No No No	No Yes Yes	HOME assisted Units
Empowerment Zone (EZ)	Federal	8+Units Yes	No	Yes	Yes	Yes	No	Yes	8+ Units Yes	
Emergency Shelter Grant (ESG)	Federal	8 + Units Yes	No	Yes	Yes	Yes	No	No	8+ Units Yes	
Section 108 (Same as CDBG)	Federal	No	Yes	Yes	Yes	Yes	Yes	No	8+ Units Yes	

PROGRAM/ ACTIVITY	TYPE OF FUNDING	CITY PREVAILING WAGE POLICY	FEDERAL DAVIS-BACON PREVAILING WAGE POLICY	AFFIRMATIVE ACTION PLAN Construction cost over \$50,000	PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000	SUBP Assistance over \$100,000	SECTION 3*	LIVING WAGE**	APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K	COMMENTS
GMMHC Homeownership Program  7 units or less 8 units or more	CDBG Home or Hope 3 Funds	No No	No Yes	Yes Yes	Yes Yes	Yes Yes	Yes Yes	No No	No Yes	Residential
GMMHC Century Homes Program  7 units or less 8 units or more	Development Account & Non- Tax Increment Local	No Yes	No No	Yes Yes	Yes Yes	Yes Yes	No No	No No	No Yes	Residential New Construction
New Housing Program (Spot Renewal)  7 units or less 8 units or more	Local Funds	No Yes	No No	Yes Yes	Yes Yes	Yes Yes	No Yes	No No	No Yes	Site Clearance
Non-Profit Development Assistance Fund 7 units or less 8 units or more	CDBG	No No	No Yes	Yes Yes	No No	No No	No No	No No	No No	Multi- Family only if project goes forward; < \$30,000
Housing Revenue Bonds 7 units or less 8 units or more	Bond Sale State \$	No Yes	No No	Yes Yes	Yes Yes	Yes Yes	No No	No No	No Yes	Residential New Construction or Rehab
Low Income Housing Tax Credit Program (See comments)	Federal Tax Credits allocated By the State	No	No	No	No	No	No	No	No	Residential New Construction Rehab; but see if other CPED financing
501 (c) (3) Bonds  501 (c) (3) refinance only bond	Bond Sale	Yes No	No No	Yes Yes	No No	No No	No No	No No	Yes No	AAP required only of Bond applicant

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>CITY PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS-BACON PREVAILING WAGE POLICY</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGE**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
Industrial Revenue Bonds	Bond Sale	Yes	No	Yes	Yes	Yes	No	No	Yes	New Construction Rehab - This applies to permanent revenue bond financing or refinancing of any interim construction financing.
Parking Revenue Bonds / General Obligation Bond for Parking	Bond Sale	See city prevailing wage ordinance	No	Yes	Yes	Yes	No	No	Yes	City ordinance applies Public Works – Section 24.200 et seq.
Taxable Qualified Zone Academy Revenue Bonds	Bond Sale	Yes	No	Yes	Yes	Yes	No	No	Yes	This applies to permanent revenue bond financing or refinancing of any interim construction financing.
Minneapolis Common Bond Fund	Bond Sale Insured by City of Minneapolis	Yes	No	Yes	Yes	Yes	No	No	Yes	This applies to permanent revenue bond financing or refinancing of any interim construction financing.
Minneapolis Common Bond Fund / Joint Issue with Hennepin County (outside Minneapolis)	Bond Sale backed by County	No	No	No	No	No	No	No	No	Hennepin Co projects outside the City.

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>City PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS-BACON PREVAILING WAGE POLICY</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGES**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
Demolition Work  Federal funded work of \$2,000 or more Local funded work of \$2,000 or more		No  Yes	Yes  No	Yes  Yes	Yes  Yes	Yes  Yes	No  No	No  No	No  Yes	Demolition work Covered by DBRA require- ments, if future *DBRA covered construction
Neighborhood Economic Development Fund (NEDF)  Federal or local funded work of \$2,000 or more. Local funded work of \$2,000 or more.	CDBG	No  Yes	Yes  No	Yes  Yes	Yes  Yes	Yes  Yes	Yes  Yes	Yes**  Yes**	Yes  Yes	Commercial/ Industrial
Community Economic Development Fund (CEDF)  Federal or Federal/Local funded work of \$2,000 or more Local funded work of \$2,000 or more	CDBG	No  Yes	Yes  No	Yes  Yes	Yes  Yes	Yes  Yes	Yes  Yes	Yes**  Yes**	Yes  Yes	Commercial/ Industrial
2% Loan Program	Local Funds	No	No	No	No	No	No	No	No	Exempt from Prevailing Wage
NRP 310 Loan Program	Local Funds	?	No	No	No	No	No	No	No	Exempt from Prevailing W age

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>City PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS-BACON PREVAILING WAGE POLICY</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGES**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
Habitat for Humanity Program	N/A	No	No	No	No	No	No	No	No	Program exempt from Prevailing Wage
2% Commercial Corridor / Nodes Loan Program	Hilton Legacy	No	No	No	No	No	No	No	No	Program exempt from Prevailing wage
NRP Neighborhood Rehab Programs only applicable to commercial construction / rehab \$100,000 or residential construction / rehab 8 + units	Local Funds	Yes	No	Yes	Yes	Yes	No	Yes**	Yes	
Working Capital Loan Guarantee Program  Usage – no Construction. Acquisition of Equipment, Land	Local Funds	No	No	No	No	No	No	No	No	Commercial/ Industrial  Program exempt from prevailing wage.
Business Development Fund  Usage – Gap financing other bank loans for various activities.	Local Funds	No	No	No	No	No	No	Yes**	No	Commercial/ Industrial  Program exempt from prevailing wage.
Capital Acquisition loans(CAL) Usage: Construction, Acquisition of Building, Land	50% Bank 40% CRF 10% Equity Borrower	No	No	No	No	No	No	No	No	Commercial/ Industrial Program exempt from Prevailing Wage

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>City PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS-BACON PREVAILING WAGE POLICY</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGES**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
Business Associations Assistance Program	CDBG & Local funds	No	No	No	No	No	No	No	No	Grants averaging \$5,000 for operations and special projects
Land Sales  Sale or transfer of real property on which rehab or construction of over \$2,000 occurs with non-federal financing from the Agency or private financing by the recipient unless otherwise exempted under the City Prevailing Wage Policy (i.e., 7 units or less residential, owner occupied, etc.)	Non-Federal Funds used to acquire property  Federal funds used to acquire property	Yes  No	No  Yes	No If at Fair Market Value  No If at Fair Market Value	No  No	No  No	No  No	Yes**  Yes**	Yes  Yes	
Commercial Corridor Fund	TI Levy	Yes Yes	No No	Yes Yes	Yes Yes	Yes Yes	No No	Yes** Yes**	Yes Yes	
Brownfield Grants  Work contracted by others  Work contracted by CPED	DEED Met Council Hennepin County	No  Yes	No  No	Yes  Yes	Yes  Yes	Yes  Yes	No  No	No  No	No  Yes	

<b>PROGRAM/ ACTIVITY</b>	<b>TYPE OF FUNDING</b>	<b>City PREVAILING WAGE POLICY</b>	<b>FEDERAL DAVIS-BACON PREVAILING WAGE POLICY</b>	<b>AFFIRMATIVE ACTION PLAN Construction cost over \$50,000</b>	<b>PRE- CONSTRUCTION BOOKLET Construction cost over \$50,000</b>	<b>SUBP Assistance over \$100,000</b>	<b>SECTION 3*</b>	<b>LIVING WAGES**</b>	<b>APPRENTICE TRAINING Contractors over \$100K / Sub- Contractors over \$50K</b>	<b>COMMENTS</b>
Affordable Housing Trust Fund (formerly Multifamily Rental fund)	Property Tax Levy (for other AHTF fund sources, see page one)	Yes	No	Yes	Yes	Yes	Yes	No	Yes	
Livable Communities (LCDA)	Met council	Yes	No	Yes	Yes	Yes	No	Yes**	Yes	
General TI Projects	TI	Yes	No	Yes	Yes	Yes	No	Yes**	Yes	
City of Minneapolis General Funds		City of Minneapolis Prevailing Wage Ordinance	No	Yes	Yes	Yes	No	Yes**	Yes	

\*Section 3 applies to projects if City provides Federal assistance over \$200,000

\*\*Living wage – Does not apply to housing projects – Does apply to Economic / Commercial Industrial development projects – check with Kent Robbins