

# Agenda Report

**TO: CITY COUNCIL**

**DATE: June 28, 2004**

**FROM: CITY MANAGER**

**SUBJECT: EFFORTS TO INCREASE EMPLOYMENT AND BUSINESS OPPORTUNITIES FOR LOCAL RESIDENTS AND BUSINESSES**

## **RECOMMENDATION**

It is recommended that the City Council:

1. Direct the City Attorney to prepare a First Source Hiring ordinance to support a Hire Pasadena Resident Program and its various components;
2. Direct the City Attorney to prepare an amendment to PMC 4.08 to adopt a small business preference policy for City procurements;
3. Require developers doing business with the City and receiving any public assistance to enter into a First Source Agreement with the City; and
4. Direct the City Attorney to amend PMC 4.32 to provide a construction tax rebate to benefit local developers who voluntarily enter into a First Source Agreement with the City and return to the City Council for approval.

## **BACKGROUND**

On September 8, 2003, members of the Northwest Coalition spoke to the City Council about issues and questions concerning local jobs, representation on project area committees, and the City's commitment to diversity in contracting and training for local residents. Staff followed up with Coalition representatives to gain a better understanding of the issues and to determine what steps needed to be taken to address them. On September 12, 2003, staff met with the Northwest Coalition and agreed to create task forces with representatives from the Coalition and the City working together (joint committee) on solutions in the following areas:

- A. Economic Development**
- B. Employment and Training Opportunities**
- C. City Procurement and Contracting**

## **JOINT COMMITTEE MEETINGS**

In a series of meetings held during the next several months, the joint committee discussed the issues in depth. The discussions focused on improving economic opportunities for local residents amid the numerous development projects under

construction in the City. Attachment A provides a background for issues discussed, the most important being that Pasadena is a diverse City and that employment opportunities should be made available to all of its residents. This report is organized along the lines of the three-task forces established through this process.

The joint committee recognized that while the levels of unemployment among minorities and the percentage of local hires were unacceptable, the chosen approach had to comply with prevailing laws and pass constitutional muster. As part of the process, staff consulted with the City Attorney to identify the risks and challenges for an approach that encouraged hiring of qualified local residents.

It became evident that any program which seeks to increase the hiring of groups or individuals through rating preferences, racial, ethnic, or gender criteria would be subject to challenge based upon Proposition 209, a voter approved amendment to the California Constitution. Furthermore, there are limits on what the City can do directly to encourage either diversity or participation by minority and underrepresented groups in contracting and contract employment related activity without creating significant litigation risk in light of Proposition 209.

It was determined that a program that encourages the business community's voluntary participation; provides the public and private sector with additional tools, information, and resources to reach the residents; and that promotes hiring of local residents and contracting with local vendors, would be the best approach for addressing the hiring and contracting problems.

## **TASK FORCE RECOMMENDATIONS**

### **A. Economic Development**

The Economic Development Task Force proposed that the City increase its focus on business assistance and play a significant role in ensuring that businesses meet their staffing needs and facilitate the hiring of local residents.

#### **1. First Source Agreements**

In response to the Task Force recommendation, staff recommends that the City initiate a First Source Hiring Policy and support a Hire Pasadena Resident Program.

First Source Programs are designed to create public/private partnerships that link local area job seekers to sustainable employment through the City's relationships with businesses and through economic development activity in the City. The First Source Program will allow the City to create and sustain these connections.

The goals of the First Source Program are twofold:

- (a) To increase employment for local residents, and
- (b) To assist businesses doing business in the City with meeting their staffing needs

Developers receiving any City financial assistance would be required to enter into First Source Agreements with the City. The local hire requirement would be based on the level of public financial participation. For those developers that voluntarily choose to enter into a First Source Agreement, staff recommends that the City provide a Construction Tax Rebate. The amount of rebate would be dependant on the commitment to local hiring. If the City Council concurs with this concept, staff will return with a sliding scale rebate program for council consideration.

Other program objectives of the First Source Program include:

- (a) **Monitoring and Enforcement**  
The City will monitor compliance with First Source Agreements in cooperation with participating businesses to ensure the success of the program.
- (b) **Marketing/Outreach**  
The City shall work with local community and business organizations, such as the Northwest Coalition, NAACP, Urban League, El Centro, IDEPSCA, Latino Heritage Association, the Black Male Forum, the Chamber of Commerce, Women at Work, and others to promote the First Source Program to their constituents.
- (c) **Citywide Outreach and promotion of the program**  
Effective and continuous promotion of the program is essential. These efforts will be achieved through utilization of the following:
  - (a) Local community organizations;
  - (b) Local Media;
  - (c) Neighborhood Associations;
  - (d) City Public Affairs office;
  - (e) City Permit Center; and
  - (f) City Departments

## 2. **Develop City Support Services**

As part of this effort, the City will:

- (a) Negotiate voluntary participation in the First Source Program and develop First Source Agreements to be made a part of development projects assisted by the City/CDC;
- (b) Work to develop formal linkages with unions and building industry associations;
- (c) Establish linkages with training providers, such as Pasadena City College, the Pasadena Unified School District ROP program, and others;
- (d) Establish a reliable referral process and coordination through the Career Center for all jobs and develop partnerships as needed to ensure success;
- (e) Coordinate First Source hiring with the Maintenance Assistance and Services to Homeowners (MASH) training program by making qualified MASH employees available for employment opportunities offered by developers and contractors. Trained MASH employees who are near matriculation will be given the opportunity to apply for jobs through the Career Center as they become available;
- (f) Assist with client outreach, registration, assessment, screening, processing and matching services (providing information on the available jobs to local eligible applicants); and
- (g) Establishment of a centralized employment and subcontractor database for opportunities in construction, which can provide the following services:
  - Jobs/skills matching
  - Subcontracting
  - Referral and placement services
  - Information exchange/job bank
  - Economic development/skills training coordination
  - Recruiting and screening for job training

## **B. EMPLOYMENT AND TRAINING OPPORTUNITIES**

The Employment and Training task force reported that the availability of a trained and readily available work force is a critical ingredient of any employment program. The City of Pasadena has two celebrated programs in place that can play significant roles in this area. These programs include the Foothill One Stop Career Center or Workforce Investment Board and the Maintenance Assistance and Services to Homeowners (MASH) program.

1. The Foothill One Stop Career Center can be utilized as a resource for referrals along the following lines:

- (a) Client outreach and recruitment services (e.g. circulate information in local journals, media, etc.)
- (b) Core job readiness services (e.g. assist with preparation of resumes, completion of job applications, etc.)
- (c) Job match services (ERISS & CalJobs; electronic job match systems) - Employers can either submit hard copy of job order to One Stop Center (and One Stop will convert to electronic format for database) OR employer can connect via internet and electronically link directly to employment database
- (d) Positive Recruitment services (i.e., targeted recruitment sessions for specific open positions; can be hosted at One Stop facility, offering on-site support to conduct interviews, schedule applicants, etc.)
- (e) Marketing, information, and referral services
- (f) Coordination of Construction Industry Job and Information Fairs and schedule on a periodic basis with key developers, constructors, and union representatives. "Mini" Job Fairs can be conducted at local sites, that include the Mobile Unit, which can be parked at or near construction sites to conduct job information, and hiring activities appropriate to site and job availability
- (g) Facilitation of linkages with unions and apprenticeship programs
- (h) Facilitation of employer focus group meetings with targeted employers, in coordination with the Chamber of Commerce

In addition, the City will assist in the design and production of informational materials for distribution to developers, contractors, and local residents. The materials will be targeted to each specific audience as appropriate and can be made available through project staff, the permit center, community organizations, the Career Center and other participants.

## **2. Construction Jobs and Resource Fair**

Job Fairs are a critical aspect of providing employment opportunities. In conjunction with the City and the Northwest Commission, the Foothill WIB will sponsor employment and resource fairs targeted towards employment opportunities in the construction industry. The job fairs will:

- (a) Seek out job seekers who have skills and/or aspirations to work in the construction field (re: to build applicant database); make application packets available for throughout the community for those who cannot attend;
- (b) Invite developers and building trade employers to recruit employees for their project;
- (c) Invite unions to present information on union and pre-apprenticeship programs;

- (d) Invite educational institutions and service providers (PUSD-ROP, PCC, Altadena Community Improvement Project, Women at Work, etc.) to share program information;
- (e) Workshops could be held on site on a variety to topics (e.g., “Learning the union hiring process”, How to get into a union training program”, etc.) distribute resource information and materials;
- (f) Provide information on the First Source Hiring Program (Hire-a-Pasadena Resident Program); distribute program resource material.

3. **Exposure to the Work Place and Pre-employment Skills Development**

As part of the initiatives, links will be established with businesses to provide apprenticeship and mentoring opportunities for high school youth as a pathway to careers and higher education. This year round effort would create a partnership with the business and secondary education communities, and the Pasadena Enterprise Zone.

4. **Maintenance Assistance and Services to Homeowners (MASH)**

The Maintenance Assistance and Services to Homeowners (MASH) program is a federally funded program created in 1979 to provide minor home rehabilitation services to low-income homeowners and to provide entry-level employment and employment training to people who have exhausted most other employment opportunities. Through execution of the primary function of the program MASH provides:

- (a) Local residents with cross training opportunities in City departments;
- (b) Cross training and enhances work experience and job skills;
- (c) Construction and building maintenance skills;
- (d) Safety training;
- (e) Workplace Literacy Training;
- (f) Paid salary for up to two years; and
- (g) Personal and career development Workshops

The Joint Committee recommends that MASH be utilized as an employment resource for the local hire program. Mash workers who have completed a substantial portion of their training will be provided the opportunity to be referred for jobs with developers on their development projects.

Additionally, the city would like to expand the MASH program to serve a larger number of applicants. Resources are currently being reviewed and staff will return at a future date with an expansion proposal.

**C. CITY PROCUREMENT AND CONTRACTING**

To increase the participation of small/micro businesses in City procurement, staff recommends that the City adopt a preference policy consistent with Government

Code Section 14835-14843. These recommendations and other actions permissible under existing laws are outlined below:

1. **Adopt A Small Business Preference Policy**

The City has a 5% local preference for purchases under \$25,000 as well as those subject to competitive selection (i.e., the RFP process). Staff proposes adding the small/micro business preferences in addition to the top of the existing local preference therefore providing local small/micro businesses a 10% preference for purchases less than \$25,000 as well as those subject to competitive selection. Staff has been advised that modest local preferences in this percentage range are reasonably likely to withstand a legal challenge if used in procurements, which are not subject to competitive bidding. While the proposed 5% addition for small/micro business preference would not be exclusive to local businesses, it would provide an additional opportunity for local firms.

The City should adopt preference policy consistent with Government Code Section 14835-14843. Small businesses under this code are defined as those with 100 or fewer employees and average annual gross receipts of \$10 million or less. Micro-businesses, which have 25 or fewer employees and average annual gross receipts of \$2.5 million or less, are provided a 5% preference in all categories of state procurement. Although this is a race-neutral program which meets the requirements of the State constitution, many firms owned by women and minorities fit the definition of small and/or micro-business. There are 49 small and micro-Pasadena businesses listed on the State's database, 19 of which are currently listed on the City's vendor list. Of these, 12 or 63% are woman or minority owned.

2. **City Departments Vendor Solicitation Requirement**

For purchases subject to informal selection, the City Manager will require City departments to seek quotes from local vendors prior to obtaining quotes from non-local vendors in accordance with PMC Section 4.08.030 to purchase goods or service locally unless there is a truly compelling reason why it could not meet this requirement.

3. **Enhance Outreach Efforts to Local Businesses**

The Purchasing Division will arrange for "open houses" where local small/micro minority vendors can meet representative from the various City departments in hopes of building procurement relationships. Staff will work with various community services organizations to maximize the outreach efforts.

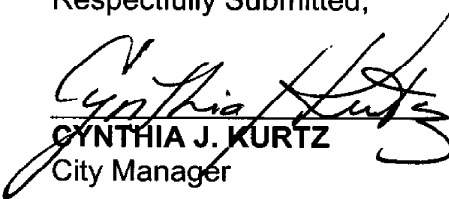
4. **Monitor Legislation**

Staff will continue to monitor changes in law, relative to preference programs to determine which would be upheld under new legislation or the California Civil Rights Initiative.

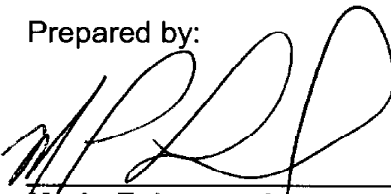
**FISCAL IMPACT**

The City Manager's recommended budget proposes \$150,000 be used to establish the local hire programs. Additionally, \$30,000 of CDBG has been set aside for business development. At this time, staff is not requesting any additional funding. Additionally, Implementation of the First Source Program will have an impact on the City's General Fund revenues as a result of the Construction Tax Rebate. If the City Council concurs with this concept, staff will return with the fiscal impact of the proposed sliding scale rebate program for council's consideration.

Respectfully Submitted,

  
**CYNTHIA J. KURTZ**  
City Manager

Prepared by:

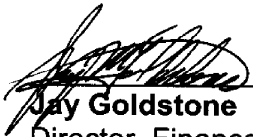
  
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## **ATTACHMENT A**

### **OUTLINE AND BACKGROUND OF ISSUES DISCUSSED WITH THE NORTHWEST COALITION**

#### **Unemployment**

The unemployment rate in Pasadena during calendar year 2003 averaged 6.0% compared to 6.8% for the State of California and 6.1% for the U.S. Although rates by ethnicity were not available for the City, nationally, unemployment rates for African Americans 16 years and over was 11% and 12% in California. The National unemployment rate for African Americans age 16-19 in 2003 was 33%. For Hispanics, 2003 unemployment rates for age 16 years and over was 8% in California and nationally, while the unemployment rate for the 16-19 cohort was 20%. In comparison, White unemployment in the U.S. and California were 5.2% and 6.1 respectively. Unemployment for Whites age 16-19 was 15.2 percent.

#### **Ethnic Diversity of Pasadena**

The 2000 Census found that Pasadena is an ethnically diverse City of 133,936 that includes 39% Whites, 33% Latino, 14% African-American, 10% Asian, 0.8 American Indian, Alaska Native, Native Hawaiian and Other Pacific Islander, while 16% are some other race. Also, 32.3% of the population is foreign born.

The citizens of Pasadena are relatively well educated with 79.5% high school graduates a total 41.3% over 25 years of age obtained at least a bachelor degree or higher. There are 84,000 professional, technical, sales, managerial and clerical jobs in Pasadena. Occupations of persons 16 years and older who were employed in 2000 are apportioned: 48% managerial and professional related occupations; 15.7% service occupations; 23.3% sales and office occupations; 5.1% construction, extraction and maintenance occupations; and 7.8% production, transportation and materials moving technology occupations.


#### **Development Projects Under Construction Throughout The City**

During the decade of the 1990's, a total of 1,100 new residential units were built in the City of Pasadena. In contrast, nearly 1,400 net new residential units were constructed between 2000 and 2004. Coupled with commercial and other projects, the valuation of these projects increased from \$500,000,000 during the decade to \$650,000,000 over the past 4 years, respectively. This recent increase in construction activity in the City raised concerns about the limited employment opportunities that were created for local workers, amid an increasing or chronically high unemployment rate among minority residents. In addition, work or apprenticeship opportunities were limited for many high school students, a significant number of which planned to work, either by choice or necessity, rather than attend college.

### **City Procurement by Vendor Type**

During calendar year 2003, the City spent \$90,433,006 on labor, materials, supplies, equipment and services, excluding purchases for power, water and natural gas, and other city contractual or administrative services. The amount of procurement dollars awarded to WMBEs was \$14.8 million or 16% and \$8.96 million or 9% for local Pasadena businesses. Adjusting for a large purchase of \$52 million for power generating equipment, these percentages increased to 39% and 23% respectively. The relative percentages were 1.1% for female Africans and 2.6% for all African Americans, 1.45% and 3.41% for Hispanics, and 4.09% and 9.62% for Asians.

DATE: June 17, 2004

TO: Pasadena City Manager  
FROM: Ralph Poole - Northwest Coalition Member   
SUBJECT: Comments on Draft Report of Economic Development, Employment  
And City Procurement and Contracting Task Force

Dear Ms Kurtz:

I have recently received a copy of the "Draft Report" (as entitled above) and after reviewing it I have some comments that I think are worthy of consideration and that will be an enhancement to what is being proposed. I would initially say that I am heartened by the fact that this dialogue and interaction is taking place. It is evidence that concerns are being heard and that there is an acceptance of the validity of the concerns. It is also heartening that real considerable time has been given to the development of a plan of action that will address the concerns.

My concerns are not intended to be in disagreement with the draft report, however, I would hope that the comments that I make will receive consideration because in so doing the plan(s) of action can be strengthened.

As I read the RECOMMENDATIONS section, I can agree with the enumerated 4 actions, however, there is some bothersome phraseology that alludes to developers voluntarily entering a First Source Agreement. It would seem that during the course of the previous discussions there was a concern about the enforceability of such an agreement. As I recall, during the discussions it was suggested, and agreed and understood that prevailing laws had to be adhered to and they were not conducive to the enforcing the terms of a First Source Agreement, and that there could be the risk of some litigation. It was understood that a few California municipalities had "tested the waters" in this regard and had experienced some success. The suggestion was that inquiries of those cities could be helpful. Such inquiries were to be made as to how these cities approached this issue by staff and the results provided and some discussion to take place. Those cities were San Francisco, Berkeley, Richmond and possibly Oakland and San Jose. If their efforts were successful then perhaps we could get an idea of how they proceeded. In this "Draft Report" I see no reference to such an inquiry that would give insights of positive possibility or that would speak negatively of the enforceability. Again not intending to be particularly negative, I would simply state that since developers are not now voluntarily embarking upon addressing a First Source Agreement ( and I am not prone to accept the fact that is their naiveté in this matter, rather that they have an indifference to it) and so why would they opt to honor such an agreement. In some of the DDA's there is some language that speaks to First Source Agreement concepts, but they have not been productive. I can understand that the concept of offering some incentives (tax rebates, etc.) might have some influence, but what if not?

Therefore it seems that the information from other cities would be extremely helpful should a stronger position be necessary to provide compliance with such an agreement. So the question that I pose is whether these inquiries were made, and if so is it possible to look at that information. If these inquiries were not made, then I would like to know why not. The response to the question may be quite obvious to staff, but not quite so obvious to me. Po

As has been stated, I am in general agreement with the concepts within the "Draft Report"; however there may be some honing and fine tuning that would make them workable. I feel that as the discussions continue this will happen.

I would like to bring to you attention the fact that there is one segment of the community that has seemingly been overlooked in that no specific mention was made of them. I am speaking of young men aged 18 - 26. This segment is often disregarded and left out of the discussions of this sort. These young men usually have minimal skills, a lack of education and they rest on the outer fringes of the community and society at large. Their behaviors are usually termed "anti-social". Let it be understood that this is not to be construed as in any way condoning or justifying their activities, but the fact is that they are routinely left out of the equation. It is not necessarily because they want it to be that way, but because they see no alternatives, and no way out of the pigeon holes in which they find themselves, they are devoid of the hope of getting out. The fact is that many of them are fathers, husbands and heads of households, and do not really know how to live up to their responsibilities. They have to be given the understanding that there is hope for them. They have to be considered and it is going to take some special efforts that will include them. That inclusiveness entails more than just the provision of employment. It must begin with the awareness of the importance of attitudinal modification that will make them assets within their community. I would direct your attention and consideration to a proposal that is designed to address these needs and will be forthcoming. There is a misconception that these young men do not want to "work". This is not true. As fore stated, their shortcomings are in skills and education, and so their employment opportunities are limited.

At the risk of being redundant, I again reiterate the fact that I am in agreement with the general concepts of the Draft Report, but I do believe that some facets need to have a bit more specificity and perhaps needs to be reconsidered as relates to reality and workability, understandability and meaningfulness, especially to those who are intended to be beneficiaries of the processes. This is an effort that has to succeed. Pasadena's greatness will only be so to the extent of its inclusiveness of all of its residents.

I look forward to the continued discussions, realizing that the solutions can and will be achieved through the exchanging of ideas and the implementation of these ideas.

Comments received from Jimmy Morris

Incorporate the following preliminary ideas into the recommendations to the "Initiatives to Increase Employment & Business Opportunities for Local Residents and Businesses:

1. Establish the right for the community to negotiate with developers prior to the entitlement process to establish community benefit directly to the community affected. Primary considerations and benefits for the community include the following:

1. Living wage for employees working in development projects with benefits.
2. Disclosure requirements
3. Community accountability meetings
4. First source "hiring system" targeting job opportunities to residents of low-income neighborhoods.
5. Space for neighborhood serving child-care centers.
6. Contributions to school programs including materials, supplies, and equipment.
7. Contributions to improvement and/or expansion of local school and park facilities.
8. Contributions to local academic and athletic initiatives
9. Community input into the selection of tenants of the development.
10. Construction of "affordable housing".
11. Benefit focus on local target populations and the entire community as a credible nexus would provide.
12. Mitigation to discovered environmental impact.
13. Mitigation to discovered market erosion for local businesses and households.
14. Provide inclusionary business space.
15. Benefit displaced workers.
16. Benefit displaced residents.

17. Benefit general population from underserved areas.
18. Benefit low-income households.
19. Benefit under-employed residents.
20. Effectively enforceability of agreements.
21. Channel more business for local business.
22. Provide jobs for chronically unemployed youth & adults.
23. Establish and maintain credibility with the youth "on the street".
24. Construction of "affordable retail, assembly, production, and warehouse space for local business in underserved areas.

- II. Community Standards for Evaluation of New Projects  
 Preliminary Criteria for evaluating appropriate projects that bring benefit to the local community.
1. Each development must be scrutinized to determine if the development's benefits substantial enough to justify the public subsidy?
  2. Do the benefits out weight the costs, such as dislocation of homes and businesses cannibalization of sales from existing retailers, increased vehicle traffic, and/or gentrification pressures
  3. Does the development sufficiently cushion the blow to those who will suffer the direct negative impacts of the development.
  4. Does the development have an appropriate character and scale for the surrounding neighborhood?
  5. Are the promised benefits reasonably certain to materialize? e.g. if the development promises jobs for residents of affected communities, is it clear that will actually happen, and jobs go to these residents?
  6. Will the jobs created pay enough that the government will not have to subsidize the employees' wages and benefits?