

Agenda Report

TO: CITY COUNCIL

DATE: JANUARY 7, 2008

FROM: CITY MANAGER

SUBJECT: AMENDMENT TO FIRST SOURCE HIRING ORDINANCE
PASADENA MUNICIPAL CODE CHAPTER 14.80 TO ALLOW
DEVELOPERS TO SATISFY LOCAL HIRING PROGRAM
REQUIREMENTS THROUGH HIRING OF LOCAL RESIDENTS
FOR PERMANENT POSITIONS

RECOMMENDATION

It is recommended that the City Council: 1) receive the attached update on the City's First Source Hiring program, and 2) Direct the City Attorney's Office to return within 60 days with an amendment to the First Source Hiring Ordinance which will allow owner-developers to satisfy local hiring program requirements through the hiring of local residents for permanent positions in addition to construction-related jobs.

BACKGROUND

The City Council established the First Source Hiring Ordinance in October, 2004, with the goal of increasing the participation of Pasadena residents in economic development projects throughout the City.

The ordinance has two key components, one voluntary and the other mandatory. The voluntary program allows developers of private construction projects to receive a rebate of construction tax equal to one-half the actual salary and benefits paid to each resident employee hired to work on a Private Construction Project, not to exceed seventy-five percent of construction tax paid.

The mandatory component is applicable to developers who receive financial assistance from the City or the Community Development Commission. Financial assistance is defined as the provision of loans, grants, financing, revenue sharing; the provision of property at less than market rate, fee waivers or any other form of financial assistance. Developers receiving such assistance are required to participate in the City's First Source Hiring Program the main feature of which establishes a minimum percentage of construction-related payroll that must be accomplished by resident employees. Failure to meet the minimum

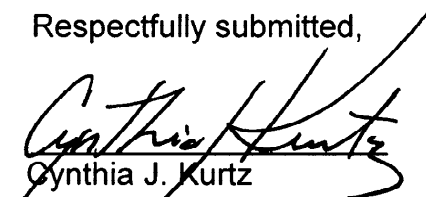
percentage results in cancellation of the City's financial assistance and any funds or valuable consideration provided to the developer would become due and payable.

The current design of the ordinance focuses on the construction-phase of development projects. In some cases, however, the developer as defined in the Ordinance is also the owner of the property. Staff is recommending that in cases where an owner-developer is present the option to fulfill First Source Hiring requirements either through the use of construction-phase or permanent positions be authorized. In addition to providing greater flexibility, it is expected that this change will result in longer-term employment for local residents. As proposed, owner-developers would be required to reach a level of local resident employment equal to what would otherwise be the construction-related payroll goal or forfeit the financial assistance.

FISCAL IMPACT

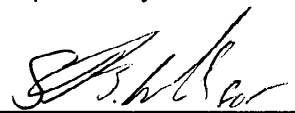
There is no direct fiscal impact associated with the staff recommendation.

Respectfully submitted,



Cynthia J. Kurtz
City Manager

Prepared by:



Antonio Watson
Project Manager

Approved by:



Steve Mermell
Acting Assistant City Manager

Attachments: Local Hiring Program Update
First Source Promotional Materials

City of Pasadena
First Source Local Hiring
Status Report



Prepared by
Antonio Watson, Project Manager
January 7, 2008



Executive Summary

With the goal of increasing employment opportunities for Pasadena residents, the City Council established the First Source Hiring Ordinance in October, 2004. The ordinance is the result of considerable concern, voiced by the community, that local residents were not being employed on major construction projects in the City including those receiving City financial assistance. The ordinance has two key components, one voluntary and the other mandatory. The voluntary program allows developers of private construction projects to receive a rebate of construction tax equal to one-half the actual salary and benefits paid to each resident employee hired to work on a Private Construction Project, not to exceed seventy-five percent of the construction tax paid.

The mandatory component is applicable to developers who receive financial assistance from the City or the Community Development Commission. Financial assistance is defined as the provision of loans, grants, financing, revenue sharing; the provision of property at less than market rate, fee waivers or any other form of financial assistance. Developers receiving such assistance are required to participate in the City's First Source Hiring Program the main feature of which establishes a minimum percentage of construction-related payroll that must be accomplished by resident employees. Failure to meet the minimum percentage results in cancellation of the City's financial assistance and any funds or valuable consideration provided to the developer would become due and payable.

Through September 30, 2007 a total of 441 local residents had been referred to various construction projects throughout the City and 84 residents had found employment as a result of the mandatory provisions of the First Source Program.





Program Description

The purpose of the First Source Hiring Ordinance, Pasadena Municipal Code Chapter 14.80, is to increase employment opportunities for qualified residents. Construction projects which receive City Financial Assistance are required to employ residents and projects that do not receive City Financial Assistance are encouraged with Construction Tax rebates to employ local residents. Financial assistance is defined by the Ordinance as the provision of loans, grants, financing, revenue sharing, the provision of property at less than market rate, or fee waivers.

Projects with City Financial Assistance

To date three projects subject to the mandatory hiring provisions of the Ordinance have reached and/or completed construction. These projects include: the Fair Oaks Court, Cypress Townhomes and expansion of Symes Toyota.

- Fair Oaks Court – the local hiring participation requirement for this 44 unit housing project was 15% of total construction payroll. Through the end of the third quarter the developer Heritage Housing Partners, had achieved local participation in excess of 39% of construction payroll. Construction is estimated to be completed in June 2008.
- Cypress Townhomes – a four unit housing development exceeded its 15% local hiring requirement. Construction is estimated to be completed in February.
- Symes Toyota – pursuant to the terms of a sales tax sharing agreement Symes Toyota constructed a 71,000 square foot facility with an approximate construction cost of \$12 million. In addition to generating additional sales tax revenue, Symes employs 20 local residents, eight of which were added since the expansion, out of a total workforce of 110. By way of separate action staff is requesting that the City Council modify the First Source Hiring Ordinance to allow an owner-developer such as Symes to comply with the Ordinance either through the hiring of local residents during construction or through permanent positions.



A number of other projects which have yet to reach the construction-phase are also subject to the mandatory local hiring provisions of the First Source Hiring Ordinance. These projects include:

- A four unit residential/two unit artisan loft development at 1150 N. Allen
- The Lamanda Park 18 unit rental development
- An eight unit supportive housing project at 877 N. Orange Grove Ave.
- A six unit housing project at 1350 N. El Molino
- Parke Street Apartments, a 12 unit rental development
- The Washington Theatre mixed use project

Voluntary Efforts

In addition to those projects subject to First Source Hiring requirements, the City's program also provides rebates of construction tax for private construction projects valued at \$50,000 or more that employ local residents. Materials advertising the program are available in the City's Permit Center as well as advertised on the City's webpage.

While no projects to date have applied for a rebate, the developers of the Ambassador West project as well as the mixed-use hotel project at the corner of Fair Oaks and Walnut have executed voluntary first source agreements which would qualify them to receive a rebate of construction tax based on the amount of local hiring achieved during construction of these projects.

Related Efforts - Working with the Community

In keeping with the spirit of the First Source Hiring Program an informal group dubbed the Local Hiring Working Group has coalesced around the issue of jobs and job training. The group is open to all and participants include the City's First Source Program Manager, local non-profits such as the NAACP, Union Station, the Altadena Economic Development Board, several local subcontractors and other interested parties. The group has been working collaboratively to match local construction jobs and job training opportunities with those seeking employment. The result has been the creation of a referral network as well as a database of resident laborers and local sub-contractors available throughout the City.