

# Agenda Report

TO: CITY COUNCIL/COMMUNITY DEVELOPMENT COMMISSION  
FROM: ACTING CITY MANAGER/CHIEF EXECUTIVE OFFICER  
SUBJECT: LIVING WAGE PROVISIONS FOR FINANCIAL ASSISTANCE  
RECIPIENTS

## RECOMMENDATION

It is recommended that the City Council direct the City Attorney to amend the proposed living wage ordinance to include some provision for financial assistance recipients of the City and the Community Development Commission. These provisions would apply to any recipient of financial assistance from the City or Community Development Commission. The financial assistance, described below, would have to exceed \$100,000 in any one year. All contracting and subcontracting activity above \$25,000 of the financial assistance recipient would be covered. Exemptions for affordable housing projects are included as part of the proposed provisions.

## BACKGROUND

On June 8, 1998 the City Council indicated their support for the implementation of a Living Wage Policy that would affect specific city employees and an ordinance that would affect employees of contractors doing business with the City. Specifically, it mandates minimum wage and benefit provisions for city employees and employees of contractors doing business with the City who have contracts in excess of \$25,000. The necessary salary resolution amendment and ordinance to implement those provisions of living wage are before Council this evening for action.

City Council also discussed whether to apply the provisions of a living wage ordinance to recipients of financial assistance. For purposes of this discussion, recipients of financial assistance are defined as any individual or group that receives in excess of \$100,000 of financial assistance in any one year. The \$100,000 assistance could be in the form of grants, reduced rate loans, tax sharing agreements, land write-downs, etc.

Affordable housing projects would be exempt from these provisions. Mixed-use projects would be included if the non-affordable housing portion of the project receives assistance of \$100,000 or more. It is anticipated that most or all of these transactions would be a part of economic development and redevelopment activities. Therefore, this report is presented to both the City Council and Pasadena Community Development Commission.

Over the last year, the proposed \$100,000 threshold would have affected three projects: Hastings Village, Renaissance Plaza and Raymond Grove. Staff spoke with the developers to evaluate how the projects would have been impacted by the proposed living wage and evaluated contracting activity, employee wages, and the types of workers paid below living wage.

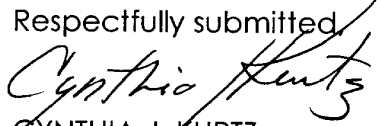
Each developer gave a similar response. Although living wage would apply to the majority of contracts and subcontracts (since most are above \$25,000 -- the threshold the city applying to itself), there would have been no impact because such large contracts typically employ highly skilled craftsmen making well above living wage. Only a handful of unskilled laborers are hired for less than living wage, with most being included in very small subcontracts. With a \$25,000 contract threshold, living wage would not apply to the few employees that might be eligible.

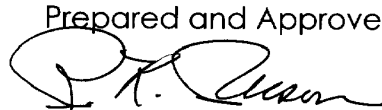
Lastly, staff would like to point out that even though the City of Los Angeles' Living Wage Ordinance has served as a general guide in developing Pasadena's draft ordinance, the City of Los Angeles exempted its Community Redevelopment Agency from the provisions of the City's ordinance.

#### FISCAL IMPACT

The fiscal impact of each project would have to be analyzed on a separate basis. Each development/redevelopment project is different in scope and structure. It is anticipated that staff would present the impact of living wage on projects as the City Council and Community Development Commission review them.

Of the three projects reviewed, each general contractor indicated that if there were higher costs as a result of living wage, those costs would be passed on to the developer. Those costs would then have to be absorbed by the developer or by the City's financial assistance package.

Respectfully submitted,  
  
CYNTHIA J. KURTZ  
Acting City Manager

Prepared and Approved by:  
  
ROBERT K. PERSON  
Assistant to the City Manager