



**WORK SESSION WORK SESSION
BARTHOLOMEW ROOM
FEBRUARY 11, 2020
5:45 PM**

Call to order

1. Consider options for prevailing wage, redevelopment contractual obligation to follow labor laws and labor trafficking prevention.

Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9738.



WORK SESSION 2/11/2020

REPORT PREPARED BY: Blanca Martinez Gavina, Executive Analyst

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez
2/7/2020

ITEM FOR WORK SESSION:

Consider options for prevailing wage, redevelopment contractual obligation to follow labor laws and labor trafficking prevention.

EXECUTIVE SUMMARY:

The work session will detail the following:

- Summary of key terms
- Background on prevailing wage in the City of Richfield
- Summary of existing research
- Synthesis of examples from cities on prevailing wage, redevelopment contractual obligation to follow labor laws and the use of labor trafficking prevention methods
- Staff recommendation
- Next Steps

The City of Richfield is required to pay a prevailing wage for any projects that are funded with state, and federal (government) revenue. The Richfield City Council is considering expanding the prevailing wage requirements to non-government funded projects to better support the City of Richfield's economy and enhance the local standard of living.

Before adopting any policies, policymakers need to understand the implications of prevailing wage against local, state, and federal project contract requirements and the impact on city resources.

Options for proposed policy enhancements include:

Prevailing Wage

The Davis-Bacon and Related Acts, apply to contractors and subcontractors performing on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration, or repair (including painting and decorating) of public buildings or public works.

Costs to the city are medium-high due to the need for oversight, implementation, and ongoing enforcement. The research was inconsistent making it difficult to predict the increase cost if any in future contracts and the administrative costs of enforcement.

Limitations include increased costs and lack of staff expertise to enforce the prevailing wage requirements. Based on initial research, Director Asher recommended including a prevailing wage requirement for any project over \$300,000. Though the starting point of \$300,000 seems reasonable to expand a prevailing wage requirement for projects that are not already required, the initial range should consider costs of implementation and ongoing enforcement.

Redevelopment contractual obligation to follow labor laws

Development Agreements can be written to include:

- a developer commitment to comply with all federal, state and local labor laws;
- a requirement that the developer provide documentation of proper payment to all contractors, subcontractors and project laborers prior to the issuance of a Certificate of Compliance, and;
- an acknowledgement that failure to comply with the above points would result in a default of the development agreement and could result in a penalty (such as non-issuance of TIF Note, or, if the TIF Note has already been issued, delaying, reducing and/or ceasing TIF Note payments).

Costs to the City are medium to high as the HRA could incur legal costs in concluding developer is in default of contract and/or in withholding funds;

Limitations include:

- Developer may be unaware of all subcontractors and suppliers;
- Staff does not have the capacity to conduct site visits to determine if there are workers who are excluded from the list;
- May set an unrealistic expectation that staff is monitoring and blame assigned to staff if not followed.
- Language would only be valid until a Certificate of Completion were issued once all contractual obligations have been met (usually within 18 months of conclusion of construction).

Protection from labor trafficking

Many cities around the country, including the neighboring city of Minneapolis, are passing ordinances aimed to protect laborers from labor exploitation by contractors and subcontractors.

Labor trafficking is defined as “the severe form of trafficking in persons,” and “the recruitment, harboring, transportation, provision, or obtaining of a person for labor or services, through the use of force, fraud, or coercion for the purpose of subjection to involuntary servitude, peonage, debt bondage, or slavery.

Costs are minimal as there are only additional requirements for contractors to post signs in construction zones.

Limitations are the lack of resources to investigate labor and human trafficking cases. Cities around the country are increasing labor and human trafficking public awareness by providing signs in establishments, city projects and other venues. The signs alert employees and patrons to remedies and protections related to labor and human trafficking.

DIRECTION NEEDED:

Staff is seeking direction on next steps to take in 1) Prevailing wage implementation 2) Redevelopment contractual obligation to follow labor laws 3) Human Trafficking awareness and prevention

BACKGROUND INFORMATION:

A. **HISTORICAL CONTEXT**

See executive summary.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

Prevailing wage, clawback provision and labor trafficking protections aligns with the City of Richfield's objective to: "Cultivate a healthy, local economic environment that values the City's small businesses and promotes living wage jobs."

C. CRITICAL TIMING ISSUES:

Consider options to make progress on a 2020 City Goal.

D. FINANCIAL IMPACT:

Further research on enforcement and implementation costs will be presented at the work session.

E. LEGAL CONSIDERATION:

Staff have worked with Attorney Tietjen on proposed options.

ALTERNATIVE(S):

The City Council could reject or modify recommended options to implement additional prevailing wage requirements, redevelopment contractual obligations provisions and increased labor trafficking awareness.

PRINCIPAL PARTIES EXPECTED AT MEETING: