

Communication from Public

Name: Western States Regional Council of Carpenters
Date Submitted: 09/04/2024 10:42 AM
Council File No: 23-0623-S1
Comments for Public Posting: Western States Regional Council of Carpenters support ED 1 labor standards



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

August 18, 2024

The Honorable Karen Bass
The Honorable Marqueece Harris-Dawson
The Honorable Tim McOsker

Dear Mayor Bass and Councilmembers Harris-Dawson and McOsker:

The Western States Regional Council of Carpenters (WSRCC) represents nearly 100,000 hardworking men and women in construction across twelve states, with most of our members living and working in Southern California. We want to build more housing and build it quickly – the WSRCC has a track record of state and local advocacy for housing production.

We write in response to the August 8th letter addressed to you by a group of for-profit developers and their consultants as we continue to stand up for workers by supporting labor standards when ED1 becomes an ordinance, for which Mayor Bass has publicly stated her support and as referenced in the McOsker/Padilla motion. While many of the assertions contained in that letter are factually in error, we are heartened to find areas on which we agree:

1. We too want to find common ground with developers and appreciate that their letter seeks the same with labor.
2. “Most ED1 non-prevailing wage projects pay between \$70,000-\$110,000 to their construction personnel,” according to their letter. Our research indicates that no such wages are being paid, as you will see below, but since they assert this, we can find agreement that our labor standards work for all. Their stated wage is in-line with Los Angeles residential prevailing wage rates.
3. The developers propose a 200-unit threshold for prevailing wages to assure that projects are financially feasible. We agree labor standards should support the ultimate policy goal of housing production. As the developers have stated they pay construction workers a salary in-line with prevailing wages, we are in agreement that labor standards are financially feasible.

Reinvesting in our construction workforce is essential for LA to reach its state-mandated housing goal of constructing 456,643 units by 2029 while building the middle-class. However, the residential construction industry is rife with exploitive schemes impacting the most vulnerable workers in our community. Therefore, we advocate not only for our members, but also for the exploited residential construction workers fearing retaliation from criminal contractors while struggling with their own housing insecurity.

“Almost half of families of construction workers in California are enrolled in a safety net program at an annual cost of over \$3 billion.”



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

UC Berkeley Labor Center, *The Public Cost of Low-Wage Jobs in California's Construction Industry* (2021)

Illegal and exploitive schemes are rampant in residential construction. Criminal contractors, in a “race to the bottom” to win project bids, steal from workers and our community by paying cash, hiring labor brokers, misclassifying workers, and withholding payment of wages. Even including prevailing wage jobs, the 2023 Bureau of Labor Statistics mean wage for residential construction workers in California was reported at \$29/hour.¹ Based on the average construction industry work schedule, this results in a \$58,464 yearly income. The average residential construction worker earns 40% less than LA's 2024 Area Median Income of \$98,850. But workers paid in cash cannot verify their income, so they do not qualify for subsidized housing. When criminal contractors force workers into the underground economy, they also deny workers access to healthcare provisions and retirement security. This unfortunately results in a workforce living in poverty and relying on tax-funded public benefits for basic needs. Even worse, underfunded community services are robbed of resources as subcontractors avoid paying payroll taxes. Perpetuating this status quo would be in direct opposition to the purpose of ED1.

Mayor Bass's ED1 policy is a significant incentive that lowers costs and expedites entitlement of Affordable Housing, which sufficiently accommodates the marginal cost of labor standards. For each year reduced in entitlement processes, developers save approximately \$40,000 per unit on average in LA.² In addition to this saving, ED1 projects frequently utilize other project-maximization policies (such as the State Density Bonus and LA's Transit Oriented Communities programs) to entitle larger housing projects with more units. With numerous policies benefitting a developer's bottom line, a marginal increase in labor costs within the *total* project budget will not “kill” ED1's success, as claimed by a few for-profit developers and their consultants. Furthermore, labor standards in Affordable Housing policy have historically been upheld and consistently resulted in housing production.

Our housing-insecure residential workforce, which is essential to building hundreds of thousands of housing units, should not be sacrificed as urged by a few for-profit developers and consultants. The current economic conditions in real estate development have led to a “hot market” for Affordable Housing due to compounding public policy incentives at local and state levels. As these new developers compete with traditional Affordable Housing developers for scarce land to build housing, ED1 should prioritize developers who are experienced and dedicated to bringing housing to the community, providing wrap-around services for tenants, and uplifting our workforce by utilizing labor standards. Not all ED1 projects result in housing unit production when land is easily entitled and sold for a profit. Since its inception in December 2022, 10,969 ED1 units have been entitled with fewer than 1,400 units proceeding through to the building permit and construction process. Only four projects totaling 358 units owned by for-profit developers urging the rejection of labor standards have received initial building permits.

¹ U.S. Bureau of Labor Statistics, May 2023 State Occupational Employment and Wage Estimates (https://www.bls.gov/oes/current/oes_ca.htm)

² *This figure is calculated from peer-reviewed academic studies quantifying the effect of LA streamlining policies, cost savings from avoiding public hearings, and savings from construction and inflation adjustments given expedited entitlement timelines.*



UNITED BROTHERHOOD OF CARPENTERS AND JOINERS OF AMERICA

Given the severity of the exploitive schemes in residential construction, labor protections are essential for ED1's purpose in addressing housing insecurity and reducing homelessness. If the ED1 policy leaves the residential construction workforce behind, LA will create a dangerous precedent for future housing policies that encourages worker exploitation, exacerbates the labor shortage, and drives families into poverty and homelessness. Now is *not* the time to reverse long-standing Affordable Housing labor standards that reinvest in our communities and uplift our vulnerable workforce.

We urge the City Council to adopt the labor standards, as outlined in AB 2011, in California Government Code Section 65912.130 for ED1 projects under 50 units and Section 65912.131 for ED1 projects over 50 units.

Sincerely,

Pete Rodriguez
Western District Vice President
United Brotherhood of Carpenters
and Joiners of America