

TITLE

Report regarding options for potential Project Labor Agreement for Public Works Projects
(Megan Wooley-Ousdahl, Deputy City Manager)

RECOMMENDATION

By motion, provide staff direction on the recommended five next steps to continue working with the Nor Cal Carpenters Union and the Building and Construction Trades Council of San Mateo County to support their interests in working on City capital improvement projects.

EXECUTIVE SUMMARY

As contemplated in January and formally adopted on May 13, 2026, the City Council included the following Key Strategy as a part of the 2026 Priorities Action Plan in response to various requests from the Nor Cal Carpenters Union (the “Carpenters”) and the Building & Construction Trades Council of San Mateo County (“BCTC”): Engage with labor groups on Project Labor Agreements (“PLAs”).

During the April 22, 2026 City Council meeting, prior to finalizing the 2026 Priorities Action Plan, the City Council passed a motion directing staff to prepare recommendation(s) on specific next steps on this topic for City Council discussion prior to the end of July.

Staff believe the goals of both groups are similar and are recommending a multi-step approach to address the interests of all parties.

BACKGROUND

2025 Discussions

The Carpenters have requested the City adopt a prequalification ordinance which would prequalify contractors and subcontractors to work on City public works projects. BCTC has requested the City adopt a Project Labor Agreement for all public works projects over \$1 million. Both organizations represent multiple construction trades crucial to helping build our local infrastructure.

In the latter part of 2025, staff had various meetings and communications with each group about their interests. Those conversations were ultimately paused due to a variety of reasons including the general complexities of the proposals, the lack of agreement between the two groups on a unified approach to meeting various interests, significant staff concerns about estimated increased costs and operational impacts on the City organization, lack of information and/or compromise to staff questions and concerns, the need for specific direction from the City Council, and several changes in city leadership.

Prequalification Ordinance & Initial Conversations

A prequalification ordinance requires contractors and subcontractors to meet specific, predetermined criteria before they are allowed to bid on City public works projects. The Carpenters proposed the following components in such an ordinance:

- Requires all contractors and all subcontractors to be prequalified by the City before they can bid on a City public works project

- Applies to all City public works projects over \$1,000,000
- Apprenticeship requirements
- Local hire policy
- Health care expenditures for employees who work at least 1,000 hours on a project
- Requirements for prequalification procedure, disputes, and enforcement

During one meeting last November with the Carpenters to review and discuss the prequalification ordinance, the Carpenters were encouraged to meet with BCTC to see if they could identify a mutually agreeable solution that would work for both unions. Staff is unaware that any such meeting occurred.

In addition, staff analyzed how such an ordinance could be implemented. Initial conclusions included significant concerns about resource demands and a possible need to hire additional staff to administer a program that requires regularly recurring prequalification of contractors and subcontractors.

Project Labor Agreements & Initial Conversations

Project Labor Agreements (PLAs) are pre-hire agreements between one or more labor organizations and a public agency that establish the terms and conditions of work for the construction of one or more capital projects. PLAs are negotiated agreements that are unique to each agency or project. Most PLAs include the following standard elements:

- Standards for wages and benefits
- Provisions that prohibit workers from engaging in strikes, work stoppages, slowdowns, and other dispute mechanisms
- Requirements that contractors hire workers who are referred from union hiring halls except for minor exceptions for “core workers”
- Requirements that non-union workers pay dues or fees to the applicable union while employed on the project
- Dispute and grievance resolution procedures

PLAs differ from traditional collective bargaining agreements in that collective bargaining agreements are between the individual craft unions and contractors/contractor organizations, while a PLA is between a consortium of different craft unions and the public agency awarding a construction contract.

PLAs are included in the bidding documents for construction projects with a requirement that all contractors and subcontractors who are awarded construction contracts must comply with the provisions of the PLA. The PLA would supplement or supersede existing collective bargaining agreements between the individual craft unions and contractors.

Initially, PLAs primarily covered large, complex construction projects, such as the San Francisco International Airport (1995) and the Port of Oakland (1999), where the value of the covered work exceeded \$1 billion. At the request of the trades, over the decades, jurisdictions have begun applying PLAs to specific projects of lesser value and/or projects valued over a specified minimum dollar.

Last November, there was also a meeting with BCTC in which City staff requested that BCTC respond in writing to a proposed term sheet that was intended to deliver a PLA that would cover significant City public works projects while also insulating the City against significant cost increases, insufficient competition in bidding, and inflexible requirements in the face of changing construction economics. A request was also made for BCTC to meet with the Carpenters to identify a solution that met both their needs. BCTC responded with very minor modifications related to exempt emergency public works projects, other exempt projects, and grievances. However, BCTC did not address the broad structural issues as identified in the City's proposed term sheet. Staff is unaware any meeting occurred with the Carpenters.

Unified Goals

Regardless of the specific components of a prequalification ordinance or a PLA, staff believes both unions have similar goals and are interested in providing meaningful work for their members, providing more work for their members in San Mateo County, growing their memberships, supporting training programs, providing some kind of benefit related to health care for anyone who works on a public capital improvement project, and ensuring safe worksites. Staff would like to find ways to support these interests by negotiating a tri-party agreement that includes the City.

Existing Laws and Prior Efforts Supporting the Unified Goals

Prevailing Wage

The California Department of Industrial Relations (DIR) requires that all contractors working on public works projects pay employees prevailing wages. The City of South San Francisco includes these requirements in request for proposal and bid documents. The requirements include a basic hourly rate and fringe benefits (including employer contributions for healthcare, pension, and training). Therefore, all workers on all City capital projects receive a prevailing wage.

Community Civic Campus PLA

In 2019, the City Council adopted a PLA for the construction of the Community Civic Campus project, which included the Library | Parks and Recreation Center at 901 Civic Campus Way and the South San Francisco Police Station at 1 Chestnut Avenue. The City and the construction management firm, Kitchell, budgeted a 5% mark-up on the estimated bid price to account for the PLA. Both projects were successfully completed under the PLA.

Wage Theft Ordinance

During the 2023 Council Retreat, City Council discussed efforts around skilled and experienced labor force, apprenticeship programs, healthcare, and local hire for private development. Council expressed an interest in being able to share ways in which the developers were investing in the local South San Francisco community. Council asked staff to provide a study session on this topic including a proposal being circulated by the Carpenters for private development and sought to have a financial study on the cost impacts.

With support from the consulting firm Strategic Economics, the Economic and Community Development Department completed an analysis of the Carpenters proposal in March 2025. However, once the analysis was completed, not only had the housing market completely come to a standstill, but private commercial construction that had become the lifeblood of the Carpenters

was also facing the worst conditions seen in a decade. Consequently, during staff follow-up with the union, they indicated that they had switched their focus from private residential construction to public works projects and that the issue of requirements for private development was no longer pressing. Staff did not take further action on the proposal for apprenticeship, healthcare, and local hire provisions given the modeling suggested no projects were feasible under requirements for apprenticeship, healthcare, and local hire.

In 2024, in response to Council direction, staff from the Economic and Community Development Department and the City Attorney's Office drafted a Wage Theft Ordinance which provides local enforcement and penalty for any contractor doing a project within the city and deemed to have an unresolved wage theft judgment on their record. The City has the right to withhold a certificate of occupancy or building permit final in this circumstance as a local measure to ensure fair and equitable wage payments to employees. The ordinance was adopted by Council in October 2024 as South San Francisco Municipal Code (SSFMC) Chapter 8.79: Wage Theft.

Per SSFMC Section 8.79.080: Unpaid Wage Theft Judgment – Complaint, to facilitate the wage theft enforcement mechanism and provide worker protections, the City has established a formal complaint process for public or private construction projects of a certain scale. Under this policy, any individual may report an unsatisfied wage theft judgment against a contractor or major subcontractor to the Building Official prior to final project approval.

IIG PLA

In 2022, the City, in partnership with BRIDGE Housing and L37 development team, applied for and received a \$28.8 million Infill Infrastructure Grant (IIG) award from the State Housing & Community Development Department (HCD). These funds are to be used to fund up to \$20 million in project wide infrastructure including the Oak Avenue extension, sidewalks, and Centennial Way improvements for the redevelopment of the PUC site at 1051 Mission Road.

As a part of the recent amendments to the Development Agreement for 1051 Mission Road approved by the Council on April 22, 2026, the City required the development team to negotiate a PLA for all site work funded by the Infill Infrastructure Grant award, totaling approximately \$20 million. The City's action was in response to the unions' continued request for a PLA.

Status of Prequalification Ordinances and PLAs in San Mateo County

Requests similar to those made in South San Francisco have been made to agencies throughout San Mateo County.

As of the writing of this staff report, neither San Mateo County, nor any city within the county, has adopted a prequalification ordinance.

PLAs have been adopted by:

- San Mateo County (September 2025 with tiered implementation over five-years starting this month for projects over \$3M)
- Daly City (October 2025 for projects over \$1M)
- Foster City (May 2026 for three specific projects)

Additional cities in the county currently have the following approaches to PLAs:

City of San Mateo – The City is in negotiations with BCTC for a PLA covering five specific projects. The City Council directed staff to begin negotiations in November 2025, and the negotiation process is estimated to take one year. The City has hired outside counsel from Renne Public Law Group for the negotiation process.

City of Redwood City – Staff is currently evaluating potential policy options for City capital projects, with City Council consideration anticipated by the end of 2026.

City of San Carlos – The City is waiting to observe other cities’ experiences with PLAs or prequalification ordinances and their impacts on bid processes and project pricing.

DISCUSSION

Unified Goals

As previously described, staff believes both unions have similar goals and interests. To further those interests and address the City’s needs, taking a series of steps discussed in more detail below could result in an agreement that works well for all.

Cost Impacts of Prequalification Ordinances and/or Project Labor Agreements

There has been much debate about whether or not PLAs add additional costs to construction and if so, how much. Many academic and non-academic research papers have studied this question and have come to various conclusions, even when reviewing the same projects.

Some studies have found that there is no statistically significant cost difference between projects with PLAs and projects without PLAs. Examples include:

- Phillips, Peter (University of Utah) and Scott Littlehale (Northern California Carpenters Regional Council), 2015. *Did PLAs on LA Affordable Housing Project Raise Construction Costs?*

Finding: No statistically significant cost differences when comparing projects with and without PLAs. Research was conducted with respect to 130 affordable housing projects in Los Angeles, nine of which had PLAs.

- Lopezlira, Enrique and Aida Farmand (UC Berkeley Labor Center), 2024. *Evaluating the Impact of Project Labor Agreements on the Cost of Affordable Housing Projects: Proposition HHH in Los Angeles.*

Finding: No statistically significant relationship between the use of PLAs and the actual development costs of Prop HHH affordable housing projects in Los Angeles.

Other studies have found that there are statistically significant cost differences, and these costs can be as high as a 21% increase. Examples include:

- Ward, Jason M (RAND), 2021. *The Effects of Project Labor Agreements on the Production of Affordable Housing: Evidence from Proposition HHH*.

Finding: The HHH PLA increased estimated construction costs (i.e., projected costs prior to actual construction) by 14.5% and overall per unit costs by 8%. An estimated 800 additional housing units could have been created without a PLA requirement in place.

- Ward, Jason M (RAND), 2024. *Project Labor Agreements and Affordable Housing Production Costs in Los Angeles*.

Finding: Reviewed completed project costs and corrected some errors noted in the Lopezlira and Farmand analysis. Found a cost increase of 21% associated with PLAs, and that PLAs generally took longer to complete than projects without PLAs. Research was conducted on affordable housing projects in Los Angeles.

Economic & Planning Systems (EPS), based in Oakland, conducted a literature review of the academic and non-academic research papers on this topic and also interviewed developers and contractors with experience with PLAs. EPS found that, though these academic research findings are conflicting, there is policy evidence that PLAs are acknowledged to increase construction costs. EPS references Section 10327(c)(5) of the California Tax Credit Allocation Committee Regulations Implementing the Federal and State Low Income Housing Tax Credit Laws, which allows for a 20% increase in a project’s “cost basis” or allowable costs if the project is “subject to a legal requirement for the payment of state or federal prevailing wages,” and an additional 5% for projects “subject to a project labor agreement.” Based on their review, EPS finds that a 5% impact associated with PLAs is well within the range of various academic studies and developer/contractor interviews that they conducted.

Why Costs May Increase

The potential cost increase of a PLA may stem from a reduction in competitive bidding since non-union contractors, who often submit lower bids, may choose not to participate due to the PLA’s requirement to adhere to union wages, benefits, work rules, and hiring procedures. The result is a fewer number of bids for each project and higher bids overall because of the reduced competition. A contributing factor is a reduction in the number of subcontractors willing to be part of a bid.

Categorized in another way, the size of a project may also impact which contractors propose on a given project. Smaller projects are typically bid on by smaller general contractors and subcontractors who are not always affiliated with a union; a PLA would create significant overhead and administrative burdens for these projects. With larger contractors who bid on larger projects, the terms of a PLA are largely already met, thus minimizing the cost and administration impact.

Additionally, the PLA may create administrative overhead costs for the City, even if it does not result in higher project costs.

South San Francisco Case Study

Given the conflicting information, staff would like further information specific to South San Francisco. Hiring a third-party expert to consider impacts on specific South San Francisco market conditions and projects could help the City Council make better informed decisions as to the size of projects that would be the least impacted by a PLA and other factors when negotiating an agreement. It could also help with an understanding of the possible impact on future projects if more money is spent on earlier projects, thereby reducing funding availability in the future.

As an example, the anticipated cost for the All-Abilities Playground at Orange Memorial Park is \$6 million including approximately \$4 million in construction costs. If City Council moved forward with a PLA for the playground, with the findings from EPS' literature review and interviews, at least a 5% increase in project costs is projected. This would result in a \$200,000 difference based on the construction cost, an amount that could possibly pay for the renovation of an existing play structure, such as one in the Common Greens.

If this pattern repeated itself across all City projects currently planned, each project would reduce available funding for each successive project in the pipeline, potentially resulting in insufficient funding for later-planned projects. Public works projects compete for a fixed pool of funding, and the City's identified maintenance needs already exceed available funding. If a PLA raises project costs, the gap widens. Every dollar of added cost reduces the amount of critical maintenance the City can address — fewer storm drains maintained, fewer sewer segments repaired, fewer streets resurfaced, fewer roofs replaced, and so on. Deferred maintenance compounds. Pavement is the clearest example: streets that aren't preserved on time deteriorate to the point of requiring reconstruction at up to 10 times the cost of preventative maintenance.

Third-party Negotiator

If Council moves forward with initiating PLA negotiations, staff recommends hiring a third-party negotiator with expertise in PLA negotiations to negotiate and finalize the agreement. This will ensure a comprehensive negotiation of the agreement's scope and limitations, protecting the City's interests by clearly defining what is – and is not – governed by the PLA. This will also ensure that the PLA includes the necessary exemptions and that the final document aligns with the City's specific project goals and fiscal constraints, while minimizing the administrative burden on staff. The City of San Mateo has contracted with a third-party negotiator and is finding the investment helpful. Staff knows of at least two firms so far that are available for this work including Redwood Public Law, the City's current law firm, and Renne Public Law Group, the firm hired by the City of San Mateo.

Joint Agreements

Meeting the interests of all parties is a recommended priority. Instead of an agreement with only one union or having to negotiate and administer multiple agreements, staff is recommending a joint, tri-party agreement. Staff has found the following examples of jointly negotiated PLAs with trades councils in other counties and the Nor Cal Carpenters Union.

- In January 2026, the Marin County Board of Supervisors approved a PLA for the Marin County Fire Headquarters project in the unincorporated San Geronimo community. The agreement included both the North Bay Building and Construction Trades Council and the Nor Cal Carpenters Union by defining which union handles which scope of work and establishing

clear workforce standards, including “carve-outs,” or specific jurisdictional language, that ensures the two unions can coexist without work stoppages.

- During a modernization project at the College of Marin, the College created a “side letter” which the Nor Cal Carpenters Union signed in 2026. The side letter, or memorandum of understanding, was used to fold new modernization projects into an existing 2018 PLA with the North Bay Building and Construction Trades Council.
- In Solano County, as a part of the California Forever project, the Napa/Solano Building Trades Council and the Nor Cal Carpenters Union signed the same 40-year agreement in January 2026.

The unions have indicated to staff that they have different approaches that have not yet been reconciled. Staff is recommending Council direct staff to negotiate a joint, tri-party agreement if Council continues to want to pursue an agreement with the unions.

Project-Specific Agreement

Negotiating an agreement that covers specific projects also streamlines negotiations as impacts can be better anticipated and possible future impacts do not need to be as thoroughly considered. Staff has reviewed our current capital program and is recommending two significant capital improvement projects that, importantly for the trades, are funded and therefore highly likely to be built in the near term. These projects are the:

- Orange Memorial Park All Abilities Playground
- Pump Station No. 4 Redundant Force Main

Other projects were considered and were preferred by some staff, but since they are not currently funded, they may be of less interest at this time to the unions.

FISCAL IMPACT

Estimated immediate direct costs to continue moving forward with an agreement are:

- Economic Analysis – \$30,000 (consultant-led; charged to the City Manager Office’s Professional Services budget)
- Negotiations Support – Approximately \$50,000 (legal services for the full negotiation process; charged to the City Manager Office’s Professional Services budget)

RELATIONSHIP TO CITY COUNCIL PRIORITIES ACTION PLAN

This item is in response to the following priority in the 2026 Priorities Action Plan – Quality of Life: Engage with labor groups on Project Labor Agreements.

CONCLUSION/SUMMARIZED RECOMMENDATION

Summarized Recommendation

Based on the above discussion, staff recommends the following steps to provide a full understanding of the financial impacts of an agreement and conduct thoughtful negotiations with the Carpenters and BCTC.

1) Conduct a South San Francisco-Specific Economic Analysis

Hire an economic firm to conduct an economic analysis of the costs and trade-offs of an agreement specific to South San Francisco. The previously referenced studies reviewed affordable housing projects in Los Angeles; these projects and findings had factors specific to affordable housing in Southern California. A South San Francisco-specific study could determine the financial impacts in our local context and if increased cost may be anticipated, what the order of magnitude may be.

The study could also seek to determine whether a PLA would result in a loss of funding for future public works projects. The study would analyze upcoming public works projects to understand the possible down-stream funding impacts of a PLA.

2) Hire a third-party negotiator

Hiring an expert to assist with the negotiations is likely to result in a faster process and better ensure the City's interests are met.

3) Initiate negotiations for a joint, tri-party agreement

Initiate negotiations of a tri-party agreement with the BCTC and the Nor Cal Carpenters Union to ensure the City remains neutral and maintains a balanced relationship with both organizations.

4) Present Economic Analysis Findings to City Council and Seek Additional Direction if Necessary

The findings of the economic analysis may warrant additional direction to staff to finalize negotiations. The City Council may wish to give additional direction on certain parameters such as thresholds for flexibility or potential exclusions to build into an agreement. An example of such a topic might be how to reduce the barrier to entry for smaller firms or at what point a project could be re-bid without certain requirements if too few bids are received.

5) Continue negotiations for a project-specific agreement to cover the Orange Memorial Park All Abilities Playground and the Pump Station No. 4 Redundant Force Main project

These projects are of sufficient size to be of interest to the unions and are funded.

Recommendation Timeline

Steps 1 and 2 (economic analysis and negotiator) can be initiated immediately and simultaneously and can likely be concluded in a matter of weeks. Step 3 to begin negotiations can begin as soon as a negotiator has been hired. A final economic analysis is expected to be available within approximately three months of initiation, and a city council meeting for further direction if necessary (Step 4) can follow within 60 days after receipt of the final report. If the example of the City of San Mateo is followed, continued negotiations (Step 5), would ideally be concluded approximately six to eight months following additional council direction.