



## MEMORANDUM

TO: Members, San Francisco Board of Supervisors  
FROM: Ken Rich, Office of Economic and Workforce Development  
Tamsen Drew, Office of Economic and Workforce Development  
DATE: June 28, 2012  
RE: CPMC Land Use Hearing – Supervisor Questions on Workforce Agreement

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**Introduction:** This memo was prepared by the Office of Economic and Workforce Development (OEWD) in response to questions from members of the Board of Supervisors during the Land Use and Economic Development Committee hearing on the California Pacific Medical Center (CPMC) Hospital Rebuild Project on June 15, 2012.

**Key workforce provisions in the Development Agreement include:**

- **Construction jobs:** 30% local hire overall, by contractor and by trade; 50% local hire for new, entry-level administrative and engineering positions and internships, and 50% local hiring for apprentices.
- **End-Use Jobs:** 40 entry-level positions per year through the City's Healthcare Academy, operated through the OEWD, and targeting positions that provide access to well-paying jobs and career ladders for those without a four year degree.
- **LBE Opportunities:** Award of at least 14% of contracts for construction-related activities to LBEs, measured by total contract cost
- **Workforce Training Payment:** \$2 million dollars to support the City's workforce training, including CBOs that support construction and end use job creation.

**General Questions.**

**1. Why is the term of the workforce obligations limited to 5 years?**

CPMC's workforce commitments, including construction and end use jobs, begin at the Effective Date of the Development Agreement. The Effective Date is 30 days after the Development Agreement has been approved by the Board of Supervisors and signed by the Mayor. CPMC's commitments last from the Effective Date for 5 years. For the

construction project, the term is five years because that is the anticipated length of the construction project. If CPMC does not fulfill its hiring target by the 5-year term, the termination date will be extended until CPMC achieves the full annual hiring target. As a private development, this exceeds standard First Source hiring requirements and is a precedent-setting commitment.

## **2. How will the workforce provisions of the Development Agreement be enforced?**

Enforcement of the workforce provisions in the Development Agreement vary by the commitment (End-Use; Construction; LBE). Enforcement is discussed specifically in Exhibit E, page 19. CPMC's workforce obligations will be monitored and enforced by the First Source Hiring Administration (FSHA), an established division within OEWD. These commitments will also be included in the annual review of the project, overseen by the Planning Department. Remedies for breaching a commitment are as follows:

For Local Business Enterprises (LBE), the remedy for CPMC's failure to meet the goals of 14% for construction contractors and subcontractors requires specific performance of the obligations. For CPMC, the LBE obligation is satisfied if they incorporate the applicable terms of the Development Agreement into their contracts with contractors. For contractors, the LBE obligation is satisfied if they create a Workforce Development Group to fulfill the goals of the workforce agreement, maintain records of LBEs awarded contracts for the project, and meet and confer with the City and CPMC every 6 month to assess performance.

Both the end-use and construction commitments incorporate the enforcement mechanisms of the First Source Hiring Ordinance, Chapter 83.12 of the Administrative Code.

For the end-use positions, the first remedy for CPMC's failure to hire 40 entry level positions in any given year would require the unmet portion of that year's obligation to roll over into the next year's hiring goal. However, CPMC's failure to meet the obligation with good faith would permit the City to seek liquidated damages under Chapter 83 as described below.

For construction position, the First Source Hiring Ordinance outlines enforcement procedures, which allow the City to seek liquidated damages for breach of good faith. Specifically, the ordinance subjects a penalty of \$5,000 for every notice of a new hire positions improperly withheld from FSHA and up to \$10,000 for each additional position improperly withheld thereafter.

### **End-Use Jobs.**

**Current DA provisions:** Currently, the Development Agreement requires that CPMC hire 40 entry-level positions per year through the City's Healthcare Sector Academy. The Healthcare Sector Academy is a program operated through the Office of Economic and Workforce Development which provides job training and placement to San Francisco residents in entry level healthcare positions. Entry level positions are defined as those positions requiring less than two-

years of training or post secondary education. These positions are targeted by the both the Development Agreement and the Healthcare Sector Academy because they provide access to high paying jobs and career ladders for those without a post-secondary degree.

**1. How many permanent jobs does the CPMC development create?**

The CPMC development, including the long-range projects, which are not receiving entitlements under the Development Agreement, will create 1,500 permanent jobs over 10 years. The estimated number of new jobs by job category created by the project are as follows:

<b>Projected Job Growth: CPMC Project</b>	<b># New Jobs Created Annually</b>	<b># of New Jobs Created by 2022</b>	<b>% of Total New Jobs Created by 2022</b>
Management & Supervision (\$59/hr)	10	105	7%
Registered Nurse (\$65/hr)	51	510	34%
Licensed Vocational Nurse (\$31/hr)	1	15	1%
Technicians & Specialists (\$41/hr)	36	360	24%
Aides & Orderlies (\$22/hr)	14	135	9%
Clerical & Admin. Support	19	195	13%
Environmental & Food Services	12	120	8%
Other	3	30	2%
<b>Total</b>	<b>150</b>	<b>1500</b>	<b>100%</b>

**2. Why is there a discrepancy between the projected number of jobs created in the EIR for the project and the information provided in Staff's presentation?**

As is common with development projects, the number of jobs analyzed by the EIR is significantly higher than the number of jobs anticipated by the project sponsor. In this case, the project sponsor anticipates the project will create 1,500 jobs, while the EIR reported 4,170 jobs. The discrepancy between these two numbers is generated by the conservative nature of EIRs. The purpose of EIRs is to examine the potential environmental impacts of a project. In performing this review, the EIR is purposefully conservative, providing analysis of the largest potential impact of the project to the environment.

To generate this conservative estimate, the EIR makes two assumptions. The first is that all of the employees in the new development are "new employees." The second is that the number of new employees is determined by attributing a number of employees per square feet of new development.

The first assumption, that all employees in the new development are new, does not accurately reflect CPMC's intent for the buildings. The EIR considers both CPMC and non-CPMC personnel on a campus to be "CPMC Employees" for purposes of the environmental impact analysis, including private physicians and their staff. CPMC's intent

is to consolidate employees, physicians, and their staff, that are not currently on a campus, to the new Cathedral Hill Campus. These personnel are not “new employees” to San Francisco, but are mostly existing employees (both CPMC and non) in satellite offices throughout San Francisco.

The second assumption, that assigns a number of new employees per square feet of development, is also inaccurate to CPMC’s plan. First, it assumes that each of the buildings is 100% occupied. Second, it assumes a larger number of employees will occupy the space than CPMC is anticipating.

As discussed, the difference between these two numbers rests in their purpose. The EIR is purposefully conservative, in order to assess potential environmental impacts. CPMC’s business plan for the new development does not maximize use of the sites, and draws from CPMC’s existing employee base, resulting in the lower 1,500 new jobs created.

**3. Historically, what percentage of CPMC’s workforce have been San Franciscans?**

CPMC provided the information below in response to the Board of Supervisors’ request for additional information on the percentage of CPMC employees that are San Francisco residents.

	<b>Year</b>	<b>% SF Residents</b>
Prior to CPMC’s merger with St. Luke’s Hospital	2000	49%
	2003	52%
Includes St. Luke’s Hospital Employees	2006	49%
	2011	45%

**4. How many new jobs is CPMC committed to providing to San Francisco residents?  
How many new jobs created by the project will be entry level?**

The Development Agreement commits CPMC to hiring 40 San Francisco residents in entry-level positions per year for 5 years, for a total of 200 jobs. These employment opportunities will include both new positions and the filling vacant positions. As provided above, the CPMC projects will create approximately 150 new jobs every year. Of the 150 new jobs a year, approximately 22 new jobs will be entry level. CPMC will fill the balance of the 40 entry level positions they have committed to through openings in existing jobs, which will occur due to attrition, promotion and retirement.

**5. Why does the Development Agreement only provide guarantees for entry level positions?**

The Development Agreement focuses on entry level jobs in the Healthcare sector. The healthcare sector has been identified by OEWD as a sector which provides relatively high paying jobs with career ladders for residents with vocational training or without a postsecondary degree.

The purpose of this agreement is two fold. First, to provide residents who lack a college or university degree an opportunity to enter a field with high wages and potential for professional growth. Second, to create a partnership between CPMC and an existing City program, the Healthcare Sector Academy. The Healthcare Sector Academy provides training to San Francisco residents for jobs in the healthcare sector. The goal of this agreement was to facilitate a lasting relationship between CPMC and the Healthcare Sector Academy, creating a pathway to job opportunities for future Academy graduates.

The Development Agreement does not include requirements for higher-level positions. Higher-level positions, such as Nurses, Physicians, Physical Therapists, etc. require education levels that exceed the scope of the vocational training provided by OEWD for San Francisco residents. Hiring decisions for these positions would be made on the basis of education and experience, and not based on geography.

**6. Why doesn't the Development Agreement address transfer rights for existing CPMC employees once the new Cathedral Hill Hospital is open?**

In negotiating the Development Agreement staff was advised by the City Attorney's Office that the agreement could not contain provisions that would influence private labor relations issues. In adhering to this advice, the Development Agreement does not include provisions on transfer rights.

**Workforce Support.**

**Current DA provisions:** Currently, the Development Agreement requires that CPMC provide \$2 million to support workforce training in San Francisco. OEWD will use this financial support to provide grants to Community Based Organizations that support both construction and end-use job creation. The identified CBO partners will provide neighborhood specific outreach for training and direct placement opportunities.

**1. What levels of financial support have other Development Agreements or Community Benefits Agreements provided to workforce training?**

<b>Project</b>	<b>Workforce Training Support (\$ in millions)</b>
<b>CPMC</b>	\$ 2.000
<b>Treasure Island</b>	\$ 3.800
<b>Hunters Point/Shipyard</b>	\$ 8.925
<b>America's Cup</b>	\$ 0.000

## **Construction Jobs.**

**Current DA provisions:** Currently, the Development Agreement requires that CPMC work in good faith with respect to new and core opportunities for union journeymen and apprentices, to achieve a minimum of thirty percent (30%) of total trade hours to be performed by San Francisco residents. In addition, 50% of new union apprentice opportunities will be filled by San Francisco residents. Additionally, the Development Agreement requires 50% local hire for new, entry level administrative and engineering positions as well as internships. Half of all new, apprentice positions are required to be graduates from the CityBuild Academy. The CityBuild Academy is a pre-apprenticeship program that prepares individuals for entry-level, unionized apprentice positions with the construction industry.

### **1. Why are the construction workforce obligations limited to good faith efforts instead of a required level of hiring?**

The CPMC Development Agreement applies the principles of the First Source Hiring Ordinance, Chapter 83 of the Administrative Code to a private project. The Agreement exceeds the First Source obligations with respect to new and core opportunities for union journeymen and apprentices, a contractor and its subcontractors will work to achieve a minimum of thirty percent (30%) of total trade hours to be performed by San Francisco residents. In addition, 50% of new union apprentice opportunities will be filled by San Francisco residents.

Good faith is the standard used by OEWD for private projects. Good faith efforts have also been the standard used for America's Cup and Treasure Island projects. All the CPMC projects entitled by the Development Agreement and associated legislation are privately funded, receiving no public financial support.

For the CPMC project specifically, Exhibit E, page 8 of the Development Agreement outlines actions that are required of both CPMC and their Contractors to satisfy the good faith efforts. These requirements include extensive noticing, meeting and disclosure to OEWD. The Development Agreement also requires that CPMC's contractors submit job notifications and hire qualified candidates. Contractors have extensive records and reporting requirements, including providing OEWD with payroll records. Enforcement of the good faith requirements was discussed above.

### **2. Has CPMC entered a Project Labor Agreement (PLA) for the project?**

PLA's are privately negotiated contracts between a selected contractor and the trades. The City does not have access to these agreements because the City is not a party to these contracts. CPMC, through its contractor, Herrero Boldt, has entered into a PLA for the Cathedral Hill Hospital and for the St. Luke's Hospital. The contractors for the other projects (Davies, Cathedral Hill and St. Luke's Medical Office Buildings) have not been selected. CPMC anticipates that when contractors for the projects listed above are selected, they will enter into PLAs similar to the Herrero Boldt agreements for their respective projects.

## **Local Business Enterprises.**

**Current DA provisions:** Currently, the Development Agreement requires that CPMC award 14% of all contracts for construction related contractors and subcontractors to LBEs. This commitment is measured by the total cost of all contracts.

### **1. What level of LBE commitments have other construction projects committed to achieving?**

Currently, LBE goals are monitored and enforced by the Human Rights Commission (HRC). In determining the appropriate LBE goal for each project, HRC considers the size and scope of the project, the amount of specialized labor required, the availability of LBE contractor and subcontractors. LBE requirements apply by ordinance to public projects and have been applied in limited contexts to private projects. The goal for the CPMC project was set at a level higher than both the goals and actual percentages for SF General. This goal is intended to be both aggressive and feasible. LBE goals in other development projects include:

<b>Project</b>	<b>Goal</b>
SF General Hospital Rebuild	5% (achieved 9.2%)
Giants Stadium	10%
Westfield Mall	13%
CPMC Hospital Rebuild	14%
8 Washington	15%