

2nd & Mercer Supportive Housing Project Community Workforce Agreement Assessment

October 2022

Seattle Office of Housing



Introduction

The City of Seattle executed a [Community Workforce Agreement](#) (CWA) in 2015 for all City-funded Public Works project over \$5 million for the purpose of achieving “social equity, workforce diversity, development of local workers for construction careers.” In 2017, the Mayor expanded the use of the CWA on select [public-private projects](#). Under OH’s Multifamily Rental Housing Program, construction projects undertaken by private housing developers are not Public Works projects. In most projects, the City has no ownership interest in the housing but does have policy interest in promoting equitable labor outcomes and livable wages.

In 2018, the CWA was [amended](#) to include provisions for the Office of Housing’s 2nd and Mercer project (formerly known as the K Site), located at 607 2nd Avenue N. The 2nd and Mercer CWA pilot was intended to demonstrate improved labor equity outcomes in affordable housing and establish best practices for delivering those outcomes on a residential project funded by OH.

The 2nd and Mercer CWA amendment established:

- Standard wages, working conditions, and protocols to resolve labor disputes that mirror what is found in the City’s main CWA.
- Washington State Labor and Industry residential prevailing wage rates apply, unless no residential wage rates exist in which case commercial rates apply.
- All sub-contractors shall perform all work exclusively under the terms of the CWA unless it becomes impracticable to apply the CWA to a particular sub-contract.
- Requirements for share of hours worked by people from economically distressed zip codes.
- Requirements for apprenticeship utilization.
- Aspirational goals for hours worked by people of color and women.

CWA Assessment

In 2019, [Ordinance 125852](#) directed OH to complete an assessment of the 2nd and Mercer CWA, with the assessment to specifically include Priority Hire outcomes such as apprenticeship utilization and utilization of workers from economically distressed areas. [Priority Hire](#) is a City of Seattle program that provides a pathway for residents of economically distressed ZIP codes, people of color and women to access well-paying construction jobs. The final assessment covers those topics required by Ordinance 125852 along with minority business utilization and project costs.

Construction of 2nd and Mercer and the three comparison projects happened either partially or almost entirely during COVID-19. COVID has had a significant impact on construction timelines and costs. COVID also had a significant impact on the very workers the CWA was intending to recruit - women and people of color - who reduced their participation in the workforce during the last few years as a result of childcare challenges and other factors.

Please see [Attachment A](#) for a definition of terms used throughout this report.

2nd and Mercer and Comparison Projects

On April 12, 2018, OH issued a Request for Interest (RFI) to develop 2nd and Mercer, a publicly owned site¹ located at 607 2nd Ave N, into an affordable rental development with ground floor arts and cultural

¹ Property is owned by the City of Seattle with a 99-year ground lease with Plymouth Housing.

uses. Six responses were received to this RFI, which informed the drafting of a Request for Proposals (RFP). The RFP was issued on June 27, 2018, with responses due on August 29, 2018. Two RFP responses were submitted. OH awarded site control and capital funding to the proposal from Plymouth Housing, which was the only one that met the RFP’s requirement for a commitment from a General Contractor to work with a CWA in place.

Table 1: 2nd and Mercer and Comparison Projects

This assessment compares the 2nd and Mercer project to three other mixed-use residential projects funded by the Office of Housing that have a similar scope, construction type, floor plate size, finishes, construction timeline and number and size of housing units. Like 2nd and Mercer, the comparison projects were all Permanent Supportive Housing projects. None of the comparison projects were subject to a CWA agreement or any Priority Hire Requirements; comparison projects were subject to [OH’s Residential Prevailing Wage Policy](#). All three comparison projects had the same general contractor. Additionally, a fifth of the workers performed nearly half the hours across the three comparison projects.

	CWA Project	Project 1	Project 2	Project 3
Project Name	2nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
Developer	Plymouth Housing	Chief Seattle Club	Downtown Emergency Service Center	Pioneer Human Services
Address	607 2 nd Ave	108 2 nd Ave S.	1911 22 nd Ave S.	1723 Belmont Ave
Units	93 total apartments - 87 Studio & six 1-Bedroom	75 Studio Apartments	85 Studio Apartments	90 total apartments - 89 Studio & one 1-Bedroom
Development Type	Mixed Use	Mixed Use	Mixed Use	Mixed Use
General Contractor	BNBuilders	Walsh	Walsh	Walsh
Construction Start Date	January 6, 2020	January 6, 2020	July 24, 2019	September 30, 2019
Project Completion Date ²	December 2021	December 2021	October 2020	December 2020

Data in this report comes from several different sources:

- OH is the source of construction costs, timelines and WMBE utilization rates. This information is reported to OH by the housing developer.
- The Purchasing and Contracting Division of Seattle Finance and Administrative Services Department collects worker hours, wages and demographic information from contractors via LCPtracker, an online certified payroll system.

² Project completion date is when the project has received Temporary Certificate of Occupancy or Certificate of Occupancy.

2nd and Mercer and Comparison Project Outcomes

Table 2: Hours Worked and Number of Hours

The table below shows the total numbers of construction hours and workers for 2nd and Mercer and the three comparison projects, an important point of reference for the following tables in this section which report on outcomes by percentage of hours worked. The total number of construction hours on the 2nd and Mercer project was 11%-21% greater than for the comparison projects. It was outside the scope of this assessment to determine why total project hours for 2nd and Mercer were higher than for the comparison projects.

	2 nd and Mercer	á?al Together	Hobson Place I	Belmont Apts
Total Worker Hours	125,525 hours	108,122 hours	89,250 hours	80,271 hours
Total Workers	857 workers	744 workers	656 workers	549 workers

Table 3: Requirements for Apprenticeship Utilization and Priority Hire Outcomes

The CWA contained requirements for apprentice utilization, preferred entry apprentices and Priority Hire for apprentices and journey level workers.

- With a 20.5% apprentice utilization rate, 2nd and Mercer far exceeded the CWA requirement of 15%; comparison projects had apprenticeship utilization rates that were between 3.5%-9.8%.
- 2nd and Mercer met the Priority Hire apprentice requirement of 7%; comparison projects had rates between 1.9%-5%.
- 2nd and Mercer had a 22% rate for Priority Hire journey-level workers, which was 13% below the requirement of 35%. Two of the comparison projects had rates higher than the CWA requirement, at 38% and 42.5% and another was at 31.4%. Again, many of the same workers worked on at least two of the comparison projects, which may have influenced outcomes.

Ordinance 125852 specifically called for the assessment to report on preferred entry for 2nd and Mercer. The preferred entry rate was 17.4% for 2nd and Mercer; meaning 17.4% of the apprentices who had substantial work on the project were graduates of pre-apprenticeship programs. Pre-apprenticeship programs help prepare women and people of color for entry and success in apprenticeship and construction careers. Preferred entry information was not available for the comparison projects.

	CWA Requirements	2 nd and Mercer	á?al Together	Hobson Place I	Belmont Apts
Apprentice Utilization	15%	20.5%	9.8%	7.6%	3.5%
Priority Hire Workers – Apprentice	7%	7.1%	5.0%	2.8%	1.9%
Priority Hire Workers – Preferred Entry	N/A	17.4%	N/A	N/A	N/A
Priority Hire Workers- Journey	35%	22%	31.4%	38.0%	42.5%

Table 4: Aspirational Goals for Women and People of Color by Journey and Apprentice Level

The CWA also contained four aspirational goals regarding construction hours for people of color and women.

- 2nd and Mercer had the highest percentage of hours worked by women.
 - With a rate of 6.1%, 2nd and Mercer exceeded the journey level goal of 3% for women. One comparison project was at 7.5%, the other two were at 1.6% and 3.2%.
 - With a rate of 19.4%, 2nd and Mercer also exceeded the apprentice level goal of 11% for women. Rates for comparison projects were between .5% - 1.9%.
- Comparison projects also had the highest percentage of hours worked by people of color, though 2nd and Mercer had more representation across race/ethnicity (see Table 6).
 - 2nd and Mercer was 9.6% below the goal of 54% of for journey level people of color with a rate of 44.4%. Comparison projects were closer to meeting the goal but were slightly lower than 54%.
 - 2nd and Mercer was 8.1% below the goal of 42% of for apprentice level people of color, with a rate of 33.9%. Comparison projects had rates between 27.9% - 53.4%.

	CWA Aspirational Goals	2nd and Mercer	áí?al Together	Hobson Place I	Belmont Apts
Journey					
People of Color	54%	44.4%	51.1%	53.2%	52.2%
Women	3%	6.1%	7.5%	1.6%	3.2%
Apprentice					
People of Color	42%	33.9%	27.9%	40.8%	53.4%
Women	11%	19.4%	0.5%	1.9%	0.9%

Table 5: Share of Hours Worked Across the Project

The table below shows hours worked as a total of all project hours. Comparison projects had the highest percentage of hours worked for Priority Hire workers and people of color. 2nd and Mercer had the highest percentage of hours worked for apprentices and women.

	2nd and Mercer (125,525)	áí?al Together (108,122)	Hobson Place I (89,250)	Pioneer Belmont (80,271)
Priority Hire	29.1%	36.4%	40.8%	44.4%
Apprentices	20.5%	9.8%	7.6%	3.5%
People of Color	42.2%	48.8%	52.3%	52.2%
Women	8.9%	6.8%	1.6%	3.1%

Table 6: Race and ethnicity details ³

At 2nd and Mercer, the highest percentage of workers were White (44.1%), followed by Hispanic workers (27%). At the comparison projects, the highest percentage of workers were Hispanic (between 35.8%-

³ Employees submit demographic information to the hiring contractor. The contractor enters the information into LCPtracker.

42.2%) followed by White (23.6% to 30.1%). Rates for African American workers were between .6-5.2% and for Asian workers between 1.3% to 3.3% across all four projects.

Race	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
African American	5.2%	6.7%	2.7%	0.6%
Asian	3.3%	1.5%	1.3%	2.9%
Hispanic	27.0%	35.8%	42.3%	42.2%
Native American	5.5%	1.5%	0.0%	0.0%
Other	1.2%	3.3%	5.9%	6.5%
White	44.1%	30.1%	33.3%	23.6%
Not Specified	13.6%	21.1%	14.4%	24.2%
Overall People of Color	42.2%	48.8%	52.2%	52.2%

* Percentages may not add to 100% due to rounding.

Women and Minority Owned Business Utilization

Table 8: WMBE Utilization

In accordance with Seattle Municipal Code 20.42, all OH-funded rental projects have an aspirational WMBE goal of 14% of total construction and service contracts. 2nd and Mercer had the highest WMBE utilization among the projects reviewed. The 2nd and Mercer project had an aspirational WMBE goal of 20%, which the project came within .4% of meeting. Two comparison projects exceeded their aspirational goal of 14% and one was below it.

	Aspirational Goal	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
CWA	20%	19.68%			
Other OH-Funded Projects	14%		18.43%	18.88%	10.18%

Construction Costs

Table 9: OH Award Amounts and Residential Construction Costs

The table below shows OH funding awards, total residential development costs along with reported COVID costs. Amounts may change from original OH award to final award depending on changes in total project cost. Since construction took place during the COVID-19 pandemic there were cost impacts related to safety plans, personal protective equipment and materials. However, those costs were not collected consistently across all projects and are difficult to compare.

	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
Original OH Award	\$7,906,088	\$6,753,323	\$10,800,000	\$7,956,022
Final OH Award	\$14,124,326	\$7,013,323	\$10,817,074	\$7,670,067
Residential Hard Cost	\$28,689,142	\$20,706,056	\$20,522,980	\$18,802,763
Total Residential Development Cost ⁴	\$35,946,685	\$26,650,733	\$27,658,983	\$23,923,046
COVID Cost (safety, material increases, etc.)	\$895,341	\$51,400	\$29,838	\$48,282

Table 10: Cost Per Unit

Cost per unit is calculated by taking total number of units and dividing by total residential development cost. The price of land was excluded for all projects because the housing developer did not incur any land costs for the 2nd and Mercer site. The comparison project costs were 14%, 16% and 31% less per unit than 2nd and Mercer.

	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
Cost per-unit	\$386,523	\$333,134	\$325,400	\$265,812
% Difference compared to 2 nd and Mercer	N/A	-14%	-16%	-31%

Table 11: Subcontractor Bids

The following table shows total number of subcontractor bids received and average bids by job type.

	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
Total Number of Bids	98	115	118	104
Average Number of Bids by Job Type	2.64	3.11	3.11	2.74

Table 12: Residential and Commercial Prevailing Wage Breakdown⁵

The following table shows total wages paid and average hourly wage. Total wages paid were between \$1.4 million - \$2.8 million higher than the comparison projects, with an average hourly wage of \$48 as compared to \$40-\$42. Commercial wages comprised 94% of 2nd and Mercer's total wages; the percentage of commercial wages was between 21-44% for the comparison projects. It is beyond the scope of this assessment to ascertain why the percentage of commercial wages was higher for 2nd and Mercer.

	2 nd and Mercer	ál?al Together	Hobson Place I	Belmont Apts
Commercial Wages	\$5,656,950	\$2,021,275	\$765,786	\$798,653
Residential Wages	\$369,668	\$2,560,533	\$2,818,047	\$2,425,051
Total Wages	\$6,026,618	\$4,581,808	\$3,583,833	\$3,223,704

⁴ Total Residential Development costs include soft costs

⁵ All OH funded projects are required to adhere to the [Residential Prevailing Wage Policy](#).

Average Hourly Wage	\$48	\$42	\$40	\$40
Total Worker Hours	125,525 hours	108,122 hours	89,250 hours	80,271 hours

Dual Benefits

All contractors working under the CWA agree to pay into union trusts on behalf of their workers for their time on the project. When an open-shop contractor makes payments into an existing employer-sponsored benefit plan as well as a union trust fund, as required by the CWA, the contractor will be reimbursed for payments made into their employee-sponsored plan up to the amount they paid into the union trust for the hours worked on the project. There were no dual benefit reimbursements paid on 2nd and Mercer.

Safety

While all OH projects have a high standard of safety the CWA requires additional meetings and check-ins with the City and includes a formal grievance process. There were seven reportable injuries during 18 months of construction on the 2nd and Mercer Supportive Housing project. This data is not available on the comparison projects.

Attachment A: Defined Terms

- **Apprentice Workers** – Workers enrolled in a Washington State Apprenticeship and Training Council (WSATC) -approved apprenticeship program
- **Preferred Entry Workers**– Apprentices who are graduates of a WSATC-approved pre-apprenticeship ([preparatory](#)) program and work at least 350 hours on the project, divided by all apprentices who work at least 350 hours on the project
- **Apprentice Utilization** - Hours worked by workers enrolled in a WSATC-approved training program, divided by total hours worked on the project
- **Women Utilization** - Hours from women workers by skill level (apprentice or journey) divided by total hours in skill level (apprentice or journey)
- **People of Color Utilization** - Hours from workers of color by skill level (apprentice or journey) divided by total hours in skill level (apprentice or journey)
- **Total Development Cost (TDC)** - Total costs of all components of typical development budgets, including site acquisition, construction costs (including contracted construction price, sales tax, contractor profit and overhead, payment and performance bonds, etc.) and soft costs (typically including architecture and engineering fees, title, survey and escrow, attorney’s fees, developer fees, utilities fees during development, financing charges, relocation costs, etc.) **For this assessment TDC does not include acquisition costs*
- **Construction Hard Cost** – A subset of the Total Development Costs – typically only the actual construction costs to build the building – including contracted construction price, sales tax, contractor profit and overhead, payment and performance bonds, etc.
**For this assessment the construction hard cost is solely for the residential construction of the building*
- **Prevailing Wage** – An hourly wage paid to the majority of construction workers in the largest city in each county in Washington State. The Department of Labor & Industries (L&I) establishes prevailing wages for each trade and occupation employed in the performance of public work. While OH’s supportive housing projects are not considered a public works project, OH does require prevailing wages. If a particular trade or job classification does not have a residential wage, commercial prevailing wages are used. **Commercial prevailing wages are required for all City of Seattle public works projects*
- **Women- and Minority-Owned Business (WMBE)** – A business that is at least 51% owned by a woman and/or minority
- **Core Workers** - Open-shop contractors may have up to three of their own “core” journey workers dispatched to the project, along with two more Priority Hire apprentices. Their remaining workforce would come from the union hiring hall. Core workers are those that have worked on the contractor's payroll a minimum of 1,500 hours within the craft classification over the last two years from the date of dispatch and have also been on the contractor’s active payroll for at least 60 out of 90 days prior to the execution of the contractor’s contract
- **Dual Benefits** - When an open-shop contractor makes payments on behalf of their core workers on the project into: 1) An existing employer-sponsored benefit plan and 2) A union trust fund, as required by the CWA