



[www.FinanceDTA.com](http://www.FinanceDTA.com)

**COUNTY OF SAN DIEGO  
IMPACT OF WORKING  
FAMILIES ORDINANCE**

January 24, 2022

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds

*Newport Beach / San Jose / San Francisco / Riverside  
Dallas / Houston / Raleigh / Tampa*



[www.FinanceDTA.com](http://www.FinanceDTA.com)

5000 Birch Street, Suite 3000  
Newport Beach, CA 92660

ATTACHMENT A

## COUNTY OF SAN DIEGO



## IMPACT OF WORKING FAMILIES ORDINANCE

Prepared for:

**County of San Diego**

5560 Overland Avenue, Suite 270

San Diego, CA 92123

Attention: Carrie Hoff

# TABLE OF CONTENTS

<u>SECTION</u>	<u>PAGE</u>
I EXECUTIVE SUMMARY.....	1
II INTRODUCTION .....	4
III OVERVIEW OF WAGE CATEGORIES & CALCULATIONS.....	6
IV OVERVIEW OF OTHER ORDINANCE REQUIREMENTS .....	11
V CASE STUDIES OF LIVING WAGE IMPLEMENTATIONS.....	14
VI ESTABLISHMENT OF A LIVING WAGE LEVEL IN THE COUNTY STUDY AREA.....	20
VII APPROACH TO EVALUATING ECONOMIC IMPACTS .....	22
VIII POTENTIAL IMPACTS ON CONTRACTORS .....	23
IX POTENTIAL IMPACTS ON LESSEES.....	25
X CONCLUSIONS.....	37
 <u>APPENDICES</u>	
APPENDIX A	IMPACT MODEL
APPENDIX B	REFERENCES

## **I EXECUTIVE SUMMARY**

### **A Purpose of the Study**

The objective of this Study is to conduct an Impact Analysis (“the Study”) of the proposed Working Families Ordinance (the “Ordinance”) for a specific region of the County of San Diego (the “County”). This Study included interviewing businesses leasing space through the County Department of General Services (“DGS”) and businesses leasing space through the County Department of Public Works/Airports (“DPW/Airports”). Also included in this Study, are construction contractors eligible to bid on County-awarded (“Contracts”). The Study examines a variety of business types to identify the direct and indirect impacts and feasibility of the proposed draft Ordinance on regional economic factors. The focus will be on estimating the impacts of implementing the Working Families Ordinance on County Construction projects and County-owned leased property.

### **B Methodology Used in the Study**

Although some impacts analyzed in this Study are projected using a number of data sources (e.g., CoStar Property, Claritas Market Intelligence, etc.), some of the major impacts were estimated using a Case Study methodology that involved (i) the distribution of surveys to both construction contractors and lessees on County-owned property, (ii) review of survey and workshops completed by County staff in 2021, and (iii) review of literature on living wage policies that have been implemented in other jurisdictions.

To estimate the impact of implementing the draft Ordinance, DTA generated and distributed a series of surveys to the businesses in the Study area. The Study area proposed for the Ordinance covers County construction projects and real estate agreements on County-owned property that are administered by DGS and DPW/Airports, including the following airports: Ramona, McClellan-Palomar, Jacumba, Gillespie Field, Fallbrook, and Borrego Valley. In addition, approximately 50% of the industrial/manufacturing businesses within the municipal limits of the City of El Cajon are on County-owned leased property. DPW/Airports also leases to businesses in the City of Carlsbad and the unincorporated communities of Borrego Springs, Fallbrook, Jacumba, and Ramona.

A total of three (3) surveys were sent, that were designed to be as comprehensive as possible and to generate the maximum response. The first was a thirty (30) question survey sent to the one hundred fifty-one (151) lessees on County-owned property administered by DGS and the five hundred and sixty (560) lessees on DPW/Airports property asking them questions regarding the implementation of the living wage provisions in the Ordinance and how it would affect their business. The second was a twenty-two (22) question survey sent to the one hundred seventy-one (171) contractors asking them questions on how the implementation of the prevailing wage, “skilled and trained” workforce, and sick leave, would affect their business. Finally, a short five (5) question follow-up survey was sent to all the businesses in the Study area. The third and final survey was sent to both contractors

and lessees and included open-ended questions allowing the businesses to provide any additional opinions on the adoption of the proposed Ordinance.

**C Findings and Recommendations – Construction Contracts**

- Per input from Staff, the County may consider revising the proposed Ordinance to adjust the contract value cutoff, that would require a Skilled and Trained Workforce from \$500K to \$1 million. Notably, this new threshold is consistent with several jurisdictions and agencies that have implemented similar ordinances.
- Potential increase in cost to the County for construction contracts, whereby bidders pass on the added expense of providing additional sick leave, in the bid price.
- Potential reduction in the number of contractors bidding on County contracts as they will no longer meet the personnel or benefit requirements.
- Potential reduction in eligible subcontractors, many of whom are likely small businesses.
- Potential increase in costs for ground lessees, related to building construction and/or tenant improvements on existing buildings.

**D Findings and Recommendations – Living Wage for Lessees and Tenants**

- In reviewing existing literature and case studies on similar ordinances, DTA determined that a “wage floor” approach (as opposed to a calculated living wage) would be most appropriate to implement as part of this Ordinance.
- Assuming a “wage floor” were implemented, DTA would suggest a rate of \$16.50 per hour, covering all job types not subject to exemption. The County may also consider providing an option of a wage rate combined with a per-hour payment for health benefits to reduce the impacts on businesses.
- The proposed Ordinance should incorporate a Cost-of-Living Adjustment (“COLA”) each year based on the percentage increase in the US Bureau of Labor Statistics Consumer Price Index (“CPI”) for all Urban consumers in the San Diego – Carlsbad area. (The US Bureau of Labor Statistics combines San Diego and Carlsbad into the San Diego area for the purpose of calculating the CPI.)
- Applying the Ordinance to businesses with existing lease agreements, may result in legal ramifications for the County. City of Los Angeles, in its enactment of a living wage ordinance, included a provision that triggered the requirements of the ordinance upon lease renewal.
- The County will need to consider the cost of monitoring and enforcing the provisions of the Ordinance requirements for applicable businesses, especially as subtenants change over time.
- The net effect of the proposed Ordinance is difficult to determine, given the

information gathered to-date, and will depend on the relative strength of each of the following effects:

- If the proposed Ordinance raises the income of workers who reside in the County, consumer incomes and spending will increase. Additionally, induced effects would result in increased employment associated with greater consumer spending.
- In contrast, if the living wage results in higher labor costs that impact business operations and disincentivize businesses to hire employees, the impact would be reduced employment within the County-owned properties and/or in the County. The indirect effects would result in decreased economic output from the businesses' supply chain.
- DTA's analysis focused on (i) leases administered by Department of General Services, and (ii) property at Gillespie Field and McClellan-Palomar as a representative sample of leases administered by County Department of Public Works/Airports (collectively, the "Focus Area"). Based on the survey results and other assumptions discussed in the Study, the following preliminary quantitative impacts were estimated for the Focus Area:
  - By the end of 2022, the total revenue from ground leases and subleases would **decrease by \$6.95 million**: approximately \$5.2 million on DPW/Airports property and \$1.8 million on DGS property. This would be the result of non-renewal of ground leases and subleases expiring in 2022.
  - Additionally, because of the relocation of businesses resulting from the non-renewal of ground leases and subleases, wages currently earned on County-owned property in the same period, would **decrease by \$21.9 million**: approximately \$15.5 million on DPW/Airports property and \$6.4 million on DGS property.
  - Finally, for workers that currently earn less than the proposed wage floor of \$16.50 (that would otherwise not be impacted by a relocation of their employer), wages are anticipated to **increase by \$6.3 million** by the end of 2022: approximately \$4.9 million for DPW/Airports property and approximately \$1.4 million for DGS property.
  - In total, by the end of 2022, the net impact of the proposed Ordinance would be a **decrease of \$22.6 million** in wages earned and lease revenues generated, on County-owned property.
  - Although a quantitative evaluation is outside the scope of this Study, the impacts of businesses relocating to other areas, as a result of the proposed Ordinance, would also impact the sales tax revenues and business license revenues to the County and to the cities of El Cajon and Carlsbad.

## **II INTRODUCTION**

The objective of this study is to conduct an Impact Analysis (“the Study”) of the proposed Working Families Ordinance (the “Ordinance”) for a specific region of the County of San Diego (The “County”). This Study included interviewing businesses leasing space through the County Department of General Services (“DGS”) and businesses leasing space through the County Department of Public Works/Airports (“DPW/Airports”). Also included in this Study are construction contractors eligible to bid on County-awarded projects. The Study examines a variety of business types to identify the direct and indirect impacts and feasibility of the proposed draft Ordinance on regional economic factors. The specific focus will be on estimating the impacts of implementing the Ordinance on County construction projects and County-owned leased property.

### **A Identification of Study Area**

The Study area proposed for the Ordinance covers County construction projects and real estate agreements on County-owned property that are administered by DGS and DPW/Airports, including the following airports: Ramona, McClellan-Palomar, Jacumba, Gillespie Field, Fallbrook, and Borrego Valley. In addition, approximately 50% of the industrial/manufacturing businesses within the municipal limits of the City of El Cajon are on County-owned leased property. DPW/Airports also leases to businesses in the City of Carlsbad and the unincorporated communities of Borrego Springs, Fallbrook, Jacumba, and Ramona.

### **B Methodology**

Although some impacts analyzed in this Study are projected using a number of data sources (e.g. CoStar Property, Claritas Market Intelligence, etc.), some of the major impacts were estimated using a Case Study methodology that involved (i) the distribution of surveys to both construction contractors and lessees on County-owned property, (ii) review of survey and workshops completed by County staff, and (iii) review of literature on living wage policies that have been implemented in other jurisdictions.

### **C Distribution of Surveys**

A total of three (3) surveys were sent, that were designed to be as comprehensive as possible and to generate the maximum response. The first was a thirty (30) question survey sent to the one hundred fifty-one (151) lessees on County-owned property administered by DGS and the five hundred sixty (560) lessees on DPW/Airports property, asking them questions on how the implementation of the living wage provisions in the Ordinance would affect their business. The response rate to this survey was approximately 9.6%. The second was a twenty-two (22) question survey sent to the one hundred seventy-one (171) contractors requested feedback on how the implementation of the prevailing wage, “skilled and trained” workforce, and sick leave, would affect their businesses. The response rate to this survey was approximately 7.0%. Finally, a short five (5) question follow-up survey was sent to all the businesses in the Study area. This

third and final survey was made up of identical open-ended questions to both lessees and contractors allowing the business to provide any additional opinions on the adoption of the proposed Ordinance. The third survey did not ask any contact information so that the respondents would be anonymous and provide direct and candid answers. The response to this survey was approximately 6.7%.

#### **D Study Limitations – Accuracy of Information**

This Study contains analysis of impacts resulting from implementation of the Ordinance. The models and assumptions utilized are based on (i) information provided to DTA by the County and information obtained from certain data sources, and (ii) information from a sample of contractors and businesses potentially impacted by the Ordinance (based on the surveys sent out by DTA and the County). The sources of information and basis of the estimates calculated in the Study are stated herein. While DTA is confident that the sources of information are generally reliable, DTA does not express an opinion or any other form of assurance on the accuracy of such information. The analysis of impacts contained in the Study is not considered to be a “financial forecast” or a “financial projection” as technically defined by the American Institute of Certified Public Accountants. The word “projection” used within the Study relates to broad expectations of future events or market conditions. Since the analyses contained herein are based on estimates and assumptions that are inherently subject to uncertainty and variation depending on evolving events, DTA cannot represent that such estimates will definitely be achieved. Some assumptions inevitably will not materialize, and unanticipated events and circumstances may occur. Therefore, the actual results achieved may vary from these projections stated throughout the Study.

### III OVERVIEW OF WAGE CATEGORIES & CALCULATIONS

#### A Identification of Wage Categories (Minimum, Living, and Prevailing)

In order to understand the wage schedules proposed in this Study, clear definitions of the terms used in the proposed Ordinance, including minimum, living, and prevailing wages, must be provided.

##### A.1 Minimum Wage

California minimum wage is the minimum hourly rate that almost all California employees must be paid for their work, by law. In California, the applicable minimum wage depends on the size of the employer. Per the table below, in 2021 California's minimum wage was \$13.00 per hour for employers with twenty-five (25) or fewer employees, and \$14.00 per hour for employers with greater than twenty-five (25) employees. As indicated below, the minimum wage is scheduled to increase this year (2022), to \$14.00 per hour for employers with twenty-five (25) or fewer employees, and \$15.00 per hour for employers with greater than twenty-five (25) employees.

**Table 1: California Minimum Wage (Hourly Wage)**

Year	Hourly Wages (More than 25 Employees)	Hourly Wages (25 Employees Or Less)
2017	\$10.50	\$10.00
2018	\$11.00	\$10.50
2019	\$12.00	\$11.00
2020	\$13.00	\$12.00
2021	\$14.00	\$13.00
2022	\$15.00	\$14.00
2023	\$15.00	\$15.00

California Minimum Wage law allows for a number of exemptions to the minimum wage schedule; these include positions such as outside salespersons, individuals who are the parent, spouse, or child of the employer, and apprentices regularly indentured under the State Division of Apprenticeship Standards. The minimum wage is an obligation of the employer and cannot be waived by any agreement, including collective bargaining agreements. However, there are also exceptions for employees who are mentally or physically disabled, or both, and for nonprofit organizations such as sheltered workshops or rehabilitation facilities that employ disabled workers. Such individuals and organizations may be issued a special license by the Division of Labor Standards Enforcement authorizing employment at a wage less than the legal minimum wage. However, for the most part, by law employers in

California must conform to the State minimum wage levels presented in the table above.

Notably, individual cities and counties are free to set hourly minimum wages above the California minimum level. In fact, a number of cities and counties in California do set minimum wage levels higher than the minimum required by the State and some have adopted ordinances that establish a higher minimum wage rate for employees working within their local jurisdiction. The effect of this multiple coverage by different government sources is that when there are conflicting requirements in the laws, the employer must follow the stricter standard; that is, the one that is the most beneficial to the employee. Most employers in California are subject to both the federal and state minimum wage laws. Since California's current law requires a higher minimum wage rate than does the federal law, all employers in California who are subject to both laws must pay the State minimum wage rate unless their employees are exempt under California law. Similarly, if a local entity (city or county) has adopted a higher minimum wage, employees must be paid the local wage where it is higher than the state or federal minimum wage rates. Currently, California is a national leader in minimum wage rates at \$15.00 per hour. This is especially noteworthy because the federal minimum wage of \$7.25 has not increased since 2009.

#### ***A.2 Living Wage (Primary Impact would be on Lessees on County Property)***

In contrast, living wage laws set wage and benefit standards for workers employed by government contractors or other firms that have a financial relationship with the government, in this case the County. Also, in contrast to the almost universal coverage of minimum wage laws, the employees who are covered under local living wage ordinances usually represent a small proportion of the participating jurisdiction's workforce. The living wage differs from the minimum wage described in the previous section in that the latter can fail to meet the requirements for a basic quality of life, which may leave the employee to rely on government programs for additional income. For the purpose of this Study, the term "living wage" refers to a theoretical income level or wage floor that allows individuals or families to afford adequate shelter, food, and other necessities.

A wage floor is an established level below which wages are not allowed to fall. It is the minimum wage established by law of an agreed upon wage bracket and is the lowest wage permitted in an established jurisdiction. For example, in California the minimum wage for employers with 25 employees or less is \$14.00 per hour, and the minimum wage for employers with 26 or more employees is \$15.00 per hour. These two minimum wage rates are both examples of wage floors and employers are not allowed to pay their employees less than these established wage levels. The establishment of a living wage (as discussed in this section) would be another wage floor. For example, if a city or county in California established a living wage of \$16.00

per hour, that would be the new wage floor and employers (absent any exemption) would be prohibited from paying their employees less than \$16.00 per hour regardless of the type of job being performed.

The specific goal of enacting a living wage is to allow employees to earn enough income for a satisfactory standard of living and prevent them from falling into poverty. Developments in the following cities have significantly increased the coverage of living wage ordinances. In Los Angeles, Miami, Oakland and San Francisco, ordinances have been extended to cover employees who are tenants on city-owned property. The provision primarily affects the cities' airports. Living wages have typically been adopted in municipalities across the country in order to reduce economic inequality while also enhancing economic performance. In economic terms, the living wage is similar to the minimum wage as it acts as a wage floor for labor. It thus differs from the national minimum wage in that it is not set according to a legal threshold.

This Study examines the impact of proposed living wage policies on County-owned property. The primary focus of the Study is on the companies and workers that are most affected by the living wage i.e., the firms which were the focus of the Business/Contractor Surveys generated and circulated by DTA, that would be required by the proposed Ordinance to increase wages.

If enacted, the County would be joining a number of municipalities in establishing a living wage. The difference with the proposed Ordinance is that it would apply to leased County-owned properties. Typical living wage ordinances also often include incentives for employer payment of employee health benefits and provisions for paid time off. Most living wage ordinances cover only employees on municipal service contracts; however, in some jurisdictions, the living wage ordinances also cover employees working for employers who are themselves tenants on city or county-owned land or who are recipients of local business assistance tax subsidies.

The early implementation of these types of ordinances typically involve the granting of numerous waivers and exemptions, which often reduce their impact. Consequently, the ordinances are thought to have small spillover impacts on the local low-wage labor market. This Study examines a proposed living wage policy with these issues in mind. As stated earlier, living wage legislation has been enacted all across the State and **Table 2** below shows a sample of six (6) counties and one city in California that currently offer a living wage schedule for employees. Notably, most of these wage levels are somewhat higher than the current minimum wage and each have Cost-of-Living Adjustments ("COLAs") built into their schedules.

**Table 2: Living Wage Comparisons in Counties and Cities in California (Hourly Wage)**

Jurisdiction	Cash Wage	Cash Wage with Health Benefits
Santa Clara	\$25.31	\$23.31
San Francisco [1]	\$18.55	\$18.55
Santa Cruz	\$19.74	\$18.10
San Diego (City) [2]	\$16.54	\$13.77
Marin	\$15.40	\$13.55
Sonoma	\$15.00	\$13.50
Los Angeles	\$16.62	N/A

Notes:

1. San Francisco has just one wage rate for both Cash Wage and Cash Wage with Health Benefits \$18.55 and a \$17.34 Wage for Non-Profit Businesses. San Francisco also maintains a \$19.05 Wage for Airport employees.
2. Pay covered employees no less than the current living wages (adjusted annually on July 1st) including hourly health benefits amount or, if lesser amount is applied toward health plan, add difference to hourly wage rate as cash payment. (See City of San Diego web site for calculation).

The large portion of this Study is devoted to identifying the benefits and costs of the policy and the dynamic adjustments that would occur if the Ordinance were implemented. The benefits examined consist of the number of workers receiving pay increases, directly and indirectly, as well as additional health insurance benefits, paid time off, sick leave, and quality of life effects. The costs consist of the increased payroll costs to employers and the incidence of these costs, and the response of employers with respect to their leases. The dynamic adjustments that are examined pertain to firstly, pay increases, revenue to the County, changes in turnover, worker effort and productivity; and secondly, effects on aggregate employment and activity on leased County-owned property and specific effects on low-wage employment.

**A.3 Prevailing Wage (Primary Impact would be on County Contractors)**

In California, prevailing wages are rates for wages and benefits set by the Department of Industrial Relations (“DIR”) that employers with government contracts must pay their employees. All workers employed on public works projects must be paid the prevailing wage determined by the DIR, according to the type of work and location of the project. The rates are generally revised twice each year, and the DIR maintains a web site at <https://www.DIR.CA.gov>, which has the latest rates for each job category. The prevailing wage rates are a combination of an hourly pay rate plus health benefits. Payment of the prevailing wage rates are designed to ensure that contractors will hire qualified workers so that public jurisdictions receive quality work. California's prevailing wage laws are designed to ensure that the ability to get a public works contract is not based on paying lower wage rates than a competitor.

All bidders are required to use the same wage rates when bidding on a public works project. California law requires that not less than the general prevailing rate of per diem wages be paid to all workers employed on a public works project.

Prevailing wage rates vary by location and are based on the average wages that employees with similar roles receive in the area. Employers who take on County-awarded contracts must pay those rates. Many states also have laws requiring employers who take on state contracts to pay the prevailing wage rate.

Professional or support personnel such as architects, clerical staff, or security guards are not subject to prevailing wages. Bona fide material suppliers who deliver materials to a job site are not subject to payment of prevailing wages. However, if they then begin to help with the construction/installation, they are then covered from that point forward. It is important to note that contractors do not have to join a union in order to work on public works projects. However, they must comply with the terms of the contract, including the payment of prevailing wages.

Notably, the implementation and enforcement of prevailing wage levels requires the use of certified payrolls. Certified Payrolls provide a true and accurate record of the labor hours worked on a project. They are signed under penalty of perjury and are due weekly from the prime contractor and all subcontractors, owner-operators, vendors, and suppliers who provide personnel to work at the job site. Under this system, prime contractors are responsible for ensuring that all subcontractors, etc. submit the required payroll document.

#### IV OVERVIEW OF OTHER ORDINANCE REQUIREMENTS

In addition to the wage requirements, the proposed Ordinance also requires contractors to adhere to several non-wage policies including maintaining a skilled and trained workforce and the ability of employees to accumulate additional sick time. All construction completed pursuant to a County-awarded contract, regardless of property ownership, including contracts led by the County in accordance with the Public Contract Code, shall be subject to the following requirements, which shall be incorporated into all such contracts as necessary to implement these requirements.

##### A Skilled and Trained Workforce in Study Area (Primary Impact would be on County Contractors)

California law defines a “skilled and trained workforce” to mean a project workforce that meets certain qualifications, specifically “*graduates of an apprenticeship program for the applicable occupation*”. The Skilled and Trained Workforce requirement in the proposed Ordinance will be on County-awarded contracts (greater than \$1 million) and would apply to the qualified construction projects and require apprentices to be enrolled in a state-certified apprenticeship program or be Journey-persons with either a certificate of completion from a certified apprenticeship program or have a record of sufficient hours in their trade. State law requires that apprentices be employed on all public works projects. If no apprentices are available, or if the work is not in a craft with an apprenticeship, proper documentation must be submitted to indicate this. All apprentices must be in a State-approved program and must be in proper ratio to the number of journey-persons present. If the project has any federal funding, any apprentices must be in a federally approved program. However, the apprentice ratio would vary depending on the craft of the workers. Contractors who participate on qualified County contracts may contact the Department of Industrial Relations Division of Apprenticeship Standards or the Labor Compliance Section for clarification.

Notably, the Skilled and Trained requirements are currently only required on Construction Manager at Risk (“CMAR”) and design-build contracts. The Department of Public Works (“DPW”) does not currently have any skilled and trained workforce requirements for any design-bid-build construction contracts. Furthermore, the Public Contracting Code requires a skilled and trained workforce on best value construction contracts (i.e., Design-Build and CMAR.). The threshold the County will propose will be \$1 million as that aligns with San Diego Metropolitan Transit System (“MTS”) and San Diego Association of Governments (“SANDAG”) policy. California’s Skilled and Trained Workforce Requirements mandate, for certain public projects, that 100% of craftworkers be an apprentice or a skilled journeyman, and a significant percentage (up to 60%) of those be graduated from a state certified apprenticeship program (Pub. Contract Code § 2601). Skilled and Trained workforce requirements are required in a growing number of jurisdictions. Some of the jurisdictions currently mandating these requirements include:

- Design-build projects for local/state agencies over \$1 million;

- Alameda, Los Angeles, Riverside, San Bernardino, San Diego, Solano, and Yuba County Best Value projects greater than \$1 million;
- SANDAG, MTS, and NCTD projects, greater than \$1 million;

Existing California law (Public Contracts Code section 2600, *et seq.*) authorizes a public entity to require a bidder, contractor, or other entity to use a skilled and trained workforce to complete a contract or project and requires that the commitment to use a skilled and trained workforce be made in an enforceable agreement that meets specified requirements. In fact, it's important to note that existing law requires all public works contracts "relating to school facilities" and "design-build contracts" to comply with the aforementioned trained and skilled workforce requirements.

In addition, in 2019, the State legislature passed, and the Governor approved, several additional statutes requiring a statutorily defined Skilled and Trained Workforce, including:

- AB 356 (D, Santiago) Los Angeles Community College District: Best Value procurement pilot program. Projects over \$1 million;
- AB 695 (D, Medina) Community college facilities design-build contracts;
- AB 1752 (D, Petrie-Norris) South Coast Water District. Doheny Ocean Desalination Project; and
- AB 1413 (D, Gloria) Transportation transactions and use taxes: County of Placer, the Solano Transportation Improvement Agency, San Diego County, San Diego Metropolitan Transit System, and the North County Transit District.

Compliance with California's skilled and trained workforce requirements for contractors, engineers, architects, design professionals, and suppliers competing for public works construction projects in California, is mandated through enforcement with the enactment of AB 3018, so there are administration requirements. Existing California law requires a successful bidder, subject to the skilled and trained workforce requirements, to provide monthly reports demonstrating compliance with the aforementioned skilled and trained workforce requirements to the public agency or other awarding body.

## **B Sick Leave Policy**

The proposed Ordinance requires that employees of businesses on both County-owned leased property and County construction projects accumulate a minimum of up to fifty-six (56) hours per year. However, the proposed Ordinance may offer forty-eight (48) hours instead of fifty-six (56) hours. Currently, all California employers are required by law to provide paid sick leave at a rate of one hour for every 30 hours worked, in accordance with Healthy Workplace Healthy Families Act of 2014 (AB 152). DPR currently monitors compliance by verifying that contractors pay prevailing wages and are in compliance with public works laws and AB 152. Contractors have the option of paying the fringes into a plan or to the workers as cash. Sick leave is part of the "Health and Welfare" of fringe benefit. Department of Public Works, Department of General Services and Parks and Recreation currently monitors compliance by verifying the total package rate compensation (base rate + sick leave) is met.

A review of living wage polices across the State revealed that such policies can promote greater job quality and economic stability for employees by requiring employers to provide a certain number of paid sick days for employees. The proposed sick leave policy in the Ordinance would be consistent with living wage laws in other cities, such as (i) the City of San Diego which requires employers to provide eighty (80) compensated leave hours per year to covered employees for vacation, illness, or personal need; and (ii) City of Los Angeles which requires employers to provide at least ninety-six (96) compensated hours off for sick leave, vacation, or personal necessity.

## **V CASE STUDIES OF LIVING WAGE IMPLEMENTATIONS**

### **A Living Wage Ordinances in Surrounding Jurisdictions**

As stated in the previous section, a growing number of cities and counties have enacted living wage laws in their respective jurisdictions. An examination of living wage ordinances in other jurisdictions and their effects on employment, economic output, and exemptions should help provide guidance in the County’s plan to adopt a similar wage ordinance. The examples presented in the following section includes the City of San Diego, the City of Los Angeles, and the City of San Francisco Airport. These case studies are not meant to be a comprehensive review of each city’s living wage law, but a top-level review designed to provide insight and guidance in establishing a living wage for the County. These particular jurisdictions were chosen for their geographical locations, the structure of their living wage schedules, their similarities in economic objectives, and their policies towards exemptions.

### **B City of San Diego Living Wage Laws**

One of the more prominent living wage laws was enacted in the City of San Diego. Implemented in 2005, the City of San Diego’s Living Wage Ordinance (“SD LWO”), Chapter 2, Article 2, Division 42 of the San Diego Municipal Code (“SDMC”) applies on City of San Diego service contracts and subcontracts. The SD LWO may also apply to City facility agreements, where City facility agreements referred to facilities owned, operated, managed, or leased by the City, which includes Petco Park, Pechanga Arena San Diego, San Diego Convention Center, San Diego Concourse, and Civic Center. When the SD LWO applies, contractors and subcontractors must comply with employer requirements.

Under the SDMC, covered employees include full-time, part-time, temporary, or seasonal services workers. Academic interns and participants in job training programs for basic skills are not included. **Services** means work such as: janitorial; landscaping; security; laundry; parking; pest control; facility maintenance; street cleaning; right-of-way maintenance; waste collection/disposal, including recycling; water and wastewater maintenance; warehouse work; auto maintenance/repair; office/clerical; concessions/retail sales; cashiers; onsite food service/preparation; ushers and wheelchair attendants; ticket takers; child care; emergency medical personnel; and other types of work consistent with the SD LWO’s intent.

Contracts not included under this ordinance include construction; legal; purchase/lease of goods or property; engineering; design; financial; technical; operating; medical (except service contracts for emergency medical personnel); management; banking; and advertising. The SDMC also has a number of exemptions that are processed for approval and pertain only to a single contract. In other words, if the SD LWO applies, a company may submit an application to the city for exemptions for the any of the following cases include the following:

- Firm employs 12 or fewer employees, including parent and subsidiaries. Specifically, employers with 12 or fewer employees for each working day in each of 20 or more

calendar weeks in the current or preceding calendar year, where the city determines that the business, including its subcontractors, will not need to retain more than 12 employees to perform work related to the subject agreement;

- Firm is 501(c)(3) non-profit and highest salary is less than 8 times the hourly rate of the lowest salary; and
- A collective bargaining agreement specifically supersedes the SD LWO. A collective bargaining agreement may exempt a contract from the SD LWO provided such waiver or exemption is explicitly stated in the collective bargaining agreement.

In addition, the City has several categorical exemptions to the SD LWO, and they include the following:

- Contracts subject to federal or state law or regulations that preclude applicability of the SD LWO's requirements;
- Contracts where the city shares management authority with other jurisdictions unless all those jurisdictions agree to the applicability of the SD LWO to the contract;
- Contracts for services by other governmental entities;
- Contracts for public works construction;
- Cooperative procurement contracts;
- Contracts for purchase of goods, property, or a lease of property, unless the contract includes a component for services that are more than incidental services;
- Contracts for professional services, as described in California Labor Code Section 515(a), such as design, engineering, financial, technical, legal, banking, medical, management, operating, advertising, or other services. The exemption for professional medical contracts shall not extend to service contracts for emergency medical personnel, including emergency medical technicians and paramedics; and
- Contracts where compliance with the SD LWO is not in the best interests of the city as certified by the City Manager and approved by the City Council.

In addition, covered employers may pay covered employees the living wage either fully in cash or as a cash payment for the wage rate combined with a health benefits payment of a minimum dollar amount per hour toward the cost of health benefits as defined in the living wage ordinance. The city's current hourly living wage consisting of cash wage and health benefits is \$16.54 per hour. The living wage schedule covering the past five (5) years is presented below.

The City's living wage ordinance requires employers to provide a minimum of eighty (80) compensated leave hours per year to covered employees for vacation, illness, or personal need [San Diego Municipal Code §22.4220(c)]. Days off for part-time employees accrue at a rate proportional to full-time employees.

The SD LWO has to be administered to make sure that participating companies are complying with the ordinance. In the City of San Diego, the Equal Opportunity Contracting Program (“EOC”) staff supporting the LWO are responsible for the monitoring and enforcement of the ordinance requirements for applicable service contracts, financial assistance agreements, and facility agreements. The “Living Wage Unit” consists of one (1) Supervising Management Analyst and one (1) Senior Management Analyst, who are responsible for enforcement of the SD LWO. Staff performs administrative and programmatic functions to monitor and enforce the ordinance requirements as follows:

- Ensure covered employees receive required compensation for work performed under applicable service contracts and/or agreements;
- Review and process certifications of compliance and applications for exemption;
- Ensure covered employers comply with reporting and employee notification requirements;
- Respond to and investigate worker complaints;
- Conduct site visits for verification of pay to covered employees; and
- Routinely educate internal and external customers on the SD LWO and its applicability.

**Table 3: City of San Diego Living Wage Schedule**

Effective Dates	Increase <sup>1</sup>	Cash Wage + Health Benefits	Full Cash Wage <sup>2</sup>
July 1, 2021-June 30, 2022	1.5%	\$13.77 + \$2.77 per hour in Health Benefits	\$16.54 per hour
July 1, 2020-June 30, 2021	2.4%	\$13.57 + \$2.73 per hour in Health Benefits	\$16.30 per hour
July 1, 2019-June 30, 2020	3.4%	\$13.26 + \$2.67 per hour in Health Benefits	\$15.93 per hour
July 1, 2018-June 30, 2019	3.1%	\$12.83 + \$2.58 per hour in Health Benefits	\$15.41 per hour
July 1, 2017-June 30, 2018	2.0%	\$12.45 + \$2.50 per hour in Health Benefits	\$14.95 per hour

**Notes:**

1. Living Wage rate increase is in accordance with San Diego Municipal Code section 22.4220(b): The hourly wage rates will be upwardly adjusted each July 1 to reflect the change in the Consumer Price Index for All Urban Consumers for the San Diego – Carlsbad – San Marcos Metropolitan Statistical Area for the twelve-month period preceding December 31. The health benefits rate will be consistent with the Affordable Care Act and any other applicable federal and state law provisions. Prior to April 1 of each year, the City will calculate the new rates and provide notice to all covered employers by posting on the City’s web site the rates in effect for the next fiscal year.
2. The Full Cash wage rate is the rate that employees must receive if their employer does not provide them with health benefits.

**C City of Los Angeles Living Wage Laws**

In 1997, the City of Los Angeles was one of the first cities in the nation to pass a living wage ordinance (“LA LWO”). At the time of passage, Los Angeles was the second city in California

and only the tenth in the nation to adopt a living wage ordinance. Coverage included city service contractors and larger recipients of local economic development funds. The ordinance also indexed the wage mandate to future increases in retirement pay for city employees. The city amended the ordinance in November 1998, primarily to expand coverage among businesses holding leases at Los Angeles International Airport (“LAX”), to add city employees, and to create a small-business exception for city lessees. The amendments included administrative changes that strengthened the ordinance’s monitoring and enforcement mechanisms. The ordinance applies to service contractors (with contracts worth \$25,000 or more), to recipients of business subsidies of \$1 million or more, and to companies that have a lease from the city (most of these contractors operate at LAX). Implementation has been phased in when leases come up for renewal.

Specifically, the LA LWO applies to city contractors and ensures that employees working on city contracts are paid the city’s living wage rate (which consists of a cash wage rate and an employer’s health benefits contribution) and are provided with time off as required by the LA LWO (at least ninety-six (96) compensated hours off for sick leave, vacation, or personal necessity, and eighty (80) uncompensated hours off). The living wage schedule for the City of Los Angeles covering the past five (5) years is presented below.

**Table 4: City of Los Angeles Living Wage Schedule**

Effective Dates	Cash Wage + Health Benefits	Full Cash Wage <sup>1</sup>
July 1, 2021 - June 30, 2022	\$15.00 + \$1.25 per hour in Health Benefits	\$16.25 per hour
July 1, 2020 - June 30, 2021	\$15.00 + \$1.25 per hour in Health Benefits	\$16.25 per hour
July 1, 2019 - June 30, 2020	\$14.25 + \$1.25 per hour in Health Benefits	\$15.50 per hour
Oct 15, 2018 - June 30, 2019	\$13.25 + \$1.25 per hour in Health Benefits	\$14.50 per hour
July 1, 2018 - Oct 14, 2018	\$11.80 + \$1.25 per hour in Health Benefits	\$13.05 per hour

Note:

1. The Full Cash wage rate is the rate that employees must receive if their employer does not provide them with health benefits.

There are a number of exceptions to the city’s living wage ordinance, the most notable are the following:

- Service contracts that are less than three months, or that are less than \$25,000. An example is tree trimming contracts, which are often for specific streets, and are therefore short-term and low value.
- Contracts for the construction of buildings or infrastructure.
- Contractors who have a collective bargaining agreement with a union that includes language specifying that the provisions of such agreements shall supersede the provisions of the LA LWO. For example, a union might accept a lower wage level in exchange for a higher contribution to health benefits or increased paid days off.

- Non-profit firms in which the executive director’s hourly wage rate is less than eight times the hourly wage rate of the lowest-paid worker, except for childcare firms, which are subject to the ordinance in all cases.
- Small businesses that lease or license city property, but not small business service contractors, may apply for a renewable two-year waiver from the living wage. Small businesses are defined as those employing no more than seven (7) employees and with annual gross revenues below a specified threshold, which is adjusted on an annual basis.
- Employees of a lessee or licensee who work in an area of city property that is not visited by the members of the public or who perform work that could not feasibly be performed by city employees. This exemption largely applies to the airport. Examples include employees who work in secure areas, such as on the airport tarmac, and employees of taxi companies and cargo airlines.

It’s important to note that the city’s Department of Public Works - Bureau of Contract Administration, administers, monitors, and enforces the LA LWO. The responsibilities include monitoring the operations of employers to ensure compliance by conducting site visits and payroll audits and reviewing provision of wages and benefits by an employer as part of the site visits. In addition, cooperation includes providing the city with full access to the work site for employer and employee interviews, and copies of certified payrolls, timesheets, health and benefit statements, employee policy manuals, and any other document which would assist the city in determining if an employer is complying with the LA LWO.

The city also requires certified payrolls as they provide a true and accurate record of the labor hours worked on a project. They are signed under penalty of perjury and are due weekly from the prime contractor and all subcontractors, owner-operators, vendors, and suppliers who provide personnel to work at the job site. Prime contractors are responsible for ensuring that all subcontractors, etc. submit the required payroll documents.

According to the City of Los Angeles, the living wage rates, effective July 1, 2021, will not increase and will remain at the prior living wage rate of \$15.00 per hour with health benefits of \$1.25 per hour, or \$16.25 per hour if health benefits are not provided. For “Airport Employees”, the living wage and hourly rates, effective July 1, 2021, will increase to \$17.00 per hour and \$5.67 per hour, respectively (or \$22.67 per hour if health benefits are not provided).

#### **D San Francisco Airport Living Wage Laws**

In 1999, San Francisco enacted a series of living wage policies, covering city service contractors, homecare workers and virtually all the low-wage workers at San Francisco International Airport (“SFO”). At the airport, the most important of these policies, specifically the Quality Standards Program (“QSP”), affected about one-third of the 30,000 employees at SFO. The SFO policies, which represent one of the largest living wage experiments in the

nation, are unusual also in that they included raised educational standards for new hires, training mandates that were intended to improve airport security and customer service. Notably this program also included a large-scale labor peace/card check agreement.

According to a 2003 paper titled "Living Wages and Economic Performance - The San Francisco Airport Model" by Michael Reich, Peter Hall and Ken Jacobs, prior to the living wage policies, the employment and pay structure among SFO's 30,000 workers was typical of most large U.S. airports. In fact, passenger and cargo airlines accounted for approximately two-thirds of private sector employment, with the remainder concentrated among airline service companies (catering, security, skycaps, and such aviation services as fueling and maintenance) and passenger service companies (retail and food concessions, airport parking lots and rental cars). Average pay growth in air transportation had lagged other sectors, including even retail, since airline deregulation began in 1978. The bulk of the low-wage workforce at SFO was concentrated among the 11,000 ground-based, non-managerial workers, including: customer service and ramp workers, baggage handlers, screeners, cabin cleaners, and restaurant and retail workers. By 1999, over half of the ground-based non-managerial workers were paid less than \$10 per hour.

In an effort to raise wages and improve working conditions for workers, the San Francisco Airport Commission passed the Quality Standards Program ("QSP") in January 2000. (It is important to note that employment activity is derived from a single source activity. While city service contractors have the option of not providing services to the city, firms at SFO do not have the same choice not to participate, so selection issues are less significant.) The QSP initially established a minimum pay standard of \$9 per hour plus full health benefits, or \$10.25 without health benefits, and mandated 12 days per year of paid time off. It also established a high school completion hiring requirement and a training standard of forty (40) hours for new employees. The program was fully implemented by October 2000, and starting January 2001, QSP wage became \$10 per hour, indexed for inflation.

Effective July 1, 2021, the minimum hourly living wage rate for covered employees under the QSP was increased from \$18.74 to \$19.05.

## VI ESTABLISHMENT OF A LIVING WAGE LEVEL IN THE COUNTY STUDY AREA

As stated earlier in the Study, living wage ordinances set a mandated wage floor – defined as an hourly rate that is identified as a livable wage for the participating jurisdiction and defines the employees who are covered. The generation of an accurate living wage rate for the County would require the collection and analysis of a large body of information including population, household size, and household expenses (including childcare costs, insurance and health care costs), transportation expenses, and other costs. The calculation of a living wage level would involve more than an inventory of employers and contractors in the Study area and would be outside the scope of this Study. Therefore, DTA has adopted the living wage calculations taken from the results of the updated 2020-2021 Living Wage Calculation for the County of San Diego, prepared for Amy K. Glasmeier of the Department of Urban Studies and Planning at the Massachusetts Institute of Technology by Carey Anne Nadeau. In-lieu of a calculated living wage, DTA will utilize the findings of the model as the established wage floor for this Study.

The living wage calculator used in this model estimates the living wage needed to support families of twelve different compositions: one adult families with 0, 1, 2, or 3 dependent children; two adult families where both adults are in the labor force with 0, 1, 2, or 3 dependent children; and two adult families where one adult is not in the labor force, with 0, 1, 2, or 3 dependent children. For single adult families, the calculation assumes the adult are employed full-time. For two adult families where both adults are in the labor force, it was assumed that both adults are employed full-time. For two adult families where one adult is not in the labor force, it was considered that one of the adults is employed full-time while the other non-wage-earning adult provides full-time childcare for the family's children. Full-time work is considered to be year-round, 40 hours per week for 52 weeks, per adult. The living wage was calculated for each of the above scenarios and is presented below in Table 5. For the purpose of this Study, the living wage will be calculated for an individual in a two-person household with both adults working and no children as highlighted in the table below. This rate is at the low-end of the calculation and will used as the wage floor for the study. This established wage floor will be used as the living wage rate and absent any exemptions, will be applied to all of the jobs in the Study area.

The living wage generated in this model is defined as the wage needed to cover basic family expenses plus all relevant taxes. Values are reported in 2021 dollars and have been adjusted by DTA from 2020 dollars using the consumer price index ("CPI") for the San Diego-Carlsbad area. The US Bureau of Labor Statistics combines San Diego and Carlsbad into the San Diego area for the purpose of calculating the CPI. To convert values from annual to hourly, a work-year of 2,080 hours (40 hours per week for 52 weeks) per adult is assumed. As indicated in the table below, the calculated living wage suggested for the Ordinance is \$16.50 per hour.

**Table 5: County of San Diego Defined Area Proposed Living Wage Schedule**

Household	0 Children	One Child	Two Children	Three Children
One Adult	\$21.62	\$43.70	\$53.33	\$70.69
Two Adults (1 working)	\$33.00	\$40.34	\$44.38	\$51.40
Two Adults (2 working)	\$16.50	\$23.46	\$28.78	\$35.58

It is notable, that the full cash living wage generated in this model is similar to the living wage generated for the City of Los Angeles at \$16.25 per hour and the City of San Diego at \$16.54 per hour. Calculations using the same living wage model for the City of Los Angeles and the City of San Diego are shown in the tables below. As indicated in the footnotes to the tables below, the living wage calculations for each city are slightly different from the current wage levels cited, as this is due to the different year-over-year month used in the calculation.

**Table 6: City of Los Angeles Proposed Living Wage Schedule <sup>1</sup>**

Household	0 Children	One Child	Two Children	Three Children
One Adult	\$19.68	\$43.13	\$52.79	\$68.68
Two Adults (1 Working)	\$32.62	\$39.72	\$43.76	\$49.26
Two Adults (2 Working)	\$16.31	\$23.18	\$28.51	\$34.58

Note:

1. The per hour wage calculation is slightly different from the City of Los Angeles wage quoted in the text above because a different year-over-year month was used in the calculation, but the methodology remains the same.

**Table 7: City of San Diego – Carlsbad <sup>1</sup> Proposed Living Wage Schedule <sup>2</sup>**

Household	0 Children	One Child	Two Children	Three Children
One Adult	\$19.96	\$42.11	\$51.74	\$69.10
Two Adults (1 Working)	\$31.41	\$38.75	\$42.79	\$49.81
Two Adults (2 Working)	\$15.09	\$22.67	\$27.99	\$34.79

Notes:

1. This living wage model combines the City of San Diego and Carlsbad together.
2. The per hour wage calculation is slightly different from the City of San Diego wage quoted in the text above because a different year-over-year month was used in the calculation and the region included Carlsbad, but the methodology remains the same.

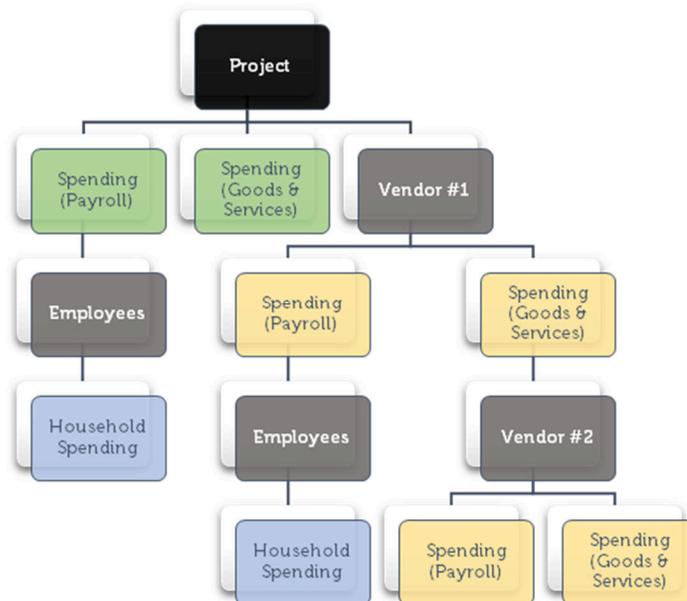
**VII APPROACH TO EVALUATING ECONOMIC IMPACTS**

The Study identifies the general economic impacts that would occur with the implementation of the Ordinance and quantifies these impacts wherever possible. General economic impacts include additions to employment (number of average annual full- and part-time jobs), and economic output (e.g., gross receipts). The Study also identifies permanent economic impacts as defined as benefits that occur on a continuing basis, year after year. Additionally, for purposes of the Study, all economic impacts are stated in constant (un-inflated) 2021 dollars, based on the assumption that the relative impacts of inflation in future years may be difficult to gauge.

Furthermore, in evaluating economic impacts, the Study quantifies both direct and indirect/induced economic impacts on the County where possible. Direct economic impacts reflect the initial or first-round impacts in jobs and output, all of which occur directly on-site. Indirect/induced economic impacts are the secondary and other additional rounds of economic activity that occur as a consequence of the direct impacts and can occur elsewhere within the County. The indirect impacts represent the economic activity – impacts on buying and selling of goods and services – of suppliers to the land use types analyzed. Finally, the induced impacts represent the economic activity that results from impacts on household spending by employees of all companies directly and indirectly affected by the operations of the land uses analyzed in the Study.

Please refer to the example presented in **Figure 1** for a graphical representation of the multiplier effect in development.

**Figure 1: Example of the Multiplier Effect (Direct, Indirect and Induced Output)**



## VIII POTENTIAL IMPACTS ON CONTRACTORS

### A Ordinance Parameters

The County would propose that County construction contracts over \$1 million would utilize a Skilled and Trained workforce.

### B Survey Responses

To help understand the effect of the proposed Ordinance on construction contractors eligible to bid on County-awarded projects (>\$500,000), DTA generated and distributed a twenty-five (25) question survey. The purpose of the survey was to determine how the Ordinance would affect the individual companies' hiring practices, wage and benefit levels, and future relocation plans. The survey was sent via email to 171 construction companies who qualify for County contracts. The questions posed were both quantitative and designed to yield a quantifiable numerical response, as well as qualitative with the purpose of gathering more details from respondents about their experiences, future plans, and opinions. After the initial survey, a short five (5) question follow-up survey was distributed. Of the initial one hundred seventy-one (171) surveys sent, twelve (12) were filled out and returned. Although the survey response rate of 7.0% is not considered statistically significant, combined with the case study material gathered by DTA, the answers to the survey along with the comments provided valuable insight to the participating companies' anticipated responses to the proposed Ordinance.

Since prevailing wage is already required on government projects, the mandating of its use is not the primary concern. According to the results of the survey, the primary concern was the implementation of a trained and skilled workforce. Several companies in the survey use union employees that have benefits through the collective bargaining process. However, others indicated that the implementation of a trained and skilled workforce would put a burden on the company's ability to compete for projects greater than \$500,000. The County's proposal to increase the construction contracts threshold to over \$1 million would provide an opportunity for some of the smaller contractors to remain competitive. In addition, all of the companies responding to the survey offer paid sick leave ranging from 40 hours per year to 80 hours per year.

Both the initial survey and the short follow-up survey are consistent with the feedback received at the DGS Contractor Forum in August 2021. With the exception of the \$1 million threshold for construction contracts, the new ordinance mirrors existing state ordinances so some contractors are wondering why the County wants to enact a new ordinance.

### C Potential Effect on Contractors

- Potential reduction in the number of contractors bidding on County contracts as they do not meet personnel or benefit requirements.
- Potential reduction in eligible subcontractors under the new requirements, many of whom are likely small businesses.

**D Potential Economic Impacts**

- Potential increase in cost to the County for construction contracts, whereby bidders pass on the added cost of providing additional sick leave, in the bid price.
- Potential increase in costs for ground lessees, related to building construction and/or tenant improvements on existing buildings.

**E Exemptions and Exceptions to the Ordinance**

According to the California Department of Industrial Relations, prevailing wages must be paid to all workers employed on a public works project when the public works project is more than \$1,000. If an awarding body has a labor compliance program, prevailing wages are not required to be paid for any public works project of \$25,000 or less when the project is for construction work; or for any public works project of \$15,000 or less when the project is for alteration, demolition, repair, or maintenance work. This is consistent with the County's exceptions to the proposed ordinance, e.g., single craft projects of less than \$25,000 (such as tenant improvements) or housing projects where the County received the underlying proposal or entered into an agreement for the project before the effective date of the ordinance.

## **IX POTENTIAL IMPACTS ON LESSEES**

### **A Summary**

According to the County staff report, dated September 2021, there are 525 leases on County-owned property that are administered by DGS and DPW/Airports. DPW/Airports has 74% (388) of the leases and DGS has 26% (137). DPW/Airports operates and maintains a system of eight (8) airports in the County at no cost to the General Fund and relies on lease revenues to sustain its daily maintenance operations. Lease revenues account for 95.5% of the total Airport Enterprise Fund (“AEF”) non-grant revenues, annually. Over 600 businesses operate on leased land at County-owned airports, ranging from small sole proprietorships to organizations with hundreds of employees.

### **B Survey Responses**

To help understand the effect of the proposed Ordinance on businesses on County-owned property, DTA generated and distributed a twenty-five (25) question survey. The purpose of the survey was to determine how the Ordinance would affect the individual companies’ hiring practices, wage and benefit levels, and future relocation plans. The survey was sent via email to 151 companies on property administered by DGS and to 560 companies on property administered by DPW/Airports. The questions posed were designed to yield a quantitative response related to employer profile and impacts on employment, as well as a qualitative response with the purpose of gathering more details from respondents about their experiences, future plans, and opinions. After the initial survey, a short five (5) question follow-up survey was distributed. Of the initial seven hundred eleven (711) surveys sent, sixty-eight (68) were filled out and returned. Although the survey response rate of 9.6 % is not considered statistically significant, the feedback, especially the comments section, provided valuable insight to the participating companies anticipated response to the proposed Ordinance.

The survey responses generally indicated that implementation of the Ordinance would place a significant burden on the businesses leasing space on both property areas. According to the survey, 54.0% of the responding businesses stated that they had planned on hiring new personnel in 2022. However, when asked if the County adopts a living wage requirement similar to the \$16.54 rate mandated by the City of San Diego, 68.3% of the responding companies indicated that they would rethink their position and not hire any new personnel. In addition, when asked if the County implemented a living wage, 57.4% of the respondents stated that they would have to layoff current employees. It’s also important to note that when asked “If a living wage were implemented by the County and you have to give raises to your employees to bring them up to the living wage level, would you also raise the wages of employees who are already earning above living wage?” 75.9% of the companies responded no.

Notably, 51.9% of the companies also indicated that they would relocate their business to another city of county if the County implemented the Ordinance. Even more revealing than

the percentage of companies siding against the implementation of the proposed Ordinance, was the tone in the comments to the follow up questions. An important factor in determining a company's probability of relocation, is whether that company has multiple locations, for example Lowes Home Improvement Center. These companies may be more inclined to move to another area with lower per hour labor costs. According to Indeed.com, the average current salary for a Retail Associate at Lowes in California is \$17.61 per hour. Depending on lease levels in surrounding areas and the effect of the ordinance on their wage budget, at this wage rate it may or may not make economic sense for the company to relocate in response to the proposed Ordinance. However, the majority of respondents were of the opinion that the County is forcing them to adopt policies that significantly hurt their businesses. As stated in the opening paragraph in this section, although the survey results are not statistically significant, the responding companies make up some of the more prominent businesses in the survey area and their responses and comments to the proposed Ordinance are consistent across each of the questions posed.

### **C Follow up Survey Responses**

The third survey consisted of five (5) open-ended questions allowing respondents to describe the expected impact of the proposed Ordinance on their businesses. Identical surveys were sent to both contractors and lessees and in order to ensure anonymity, DTA did not ask any of the respondents to identify themselves or their companies. The response to the implementation of the Ordinance was overwhelmingly negative, with respondents stating that the Ordinance would have a negative impact on their businesses. Reasons ranged from companies becoming uncompetitive and unable to remain in business, to moving their businesses out of State.

The primary concern of businesses with ground leases is that they will lose their current tenants and not be able to replace them as other potential tenants will decide to locate their businesses in areas that do not have this type of ordinance. The survey feedback indicated that current tenants are not willing to extend their lease terms because of potential that this Ordinance may be implemented. Furthermore, it was stated that subtenants would leave the County-owned land, vacancies would rise, unemployment would increase, and the airport properties would become deserted and vacant. Tenant responses were just as strong in their opposition to the Ordinance with many stating that they are currently struggling and are already complying with State, County, and federal labor laws, and are already paying above minimum wage, providing insurance and dealing with the recent COVID epidemic, and as such, the imposition of the Ordinance would be an additional hardship that may put them out of business.

### **D Potential Effect on Employment**

From a revenue standpoint, the County generates approximately \$4.5 million from leases Administered by the Department of General Services and \$13.4 million from ground lease tenants (where such ground lease tenants generate an additional \$22.5 million in revenue from subtenants). Of the \$13.4 million ground lease revenue (and \$22.5 million in sublease

revenue), approximately 75% of the revenue is generated from Gillespie Field, 22% from McClellan-Palomar, and the remaining 3% from other airport property. **Therefore, DTA’s analysis focused on (i) leases administered by Department of General Services, and (ii) property at Gillespie Field and McClellan-Palomar as a representative sample of leases administered by County Department of Public Works/Airports (collectively, the “Focus Area”).**

**Table 8: Business & Employment Assumptions**

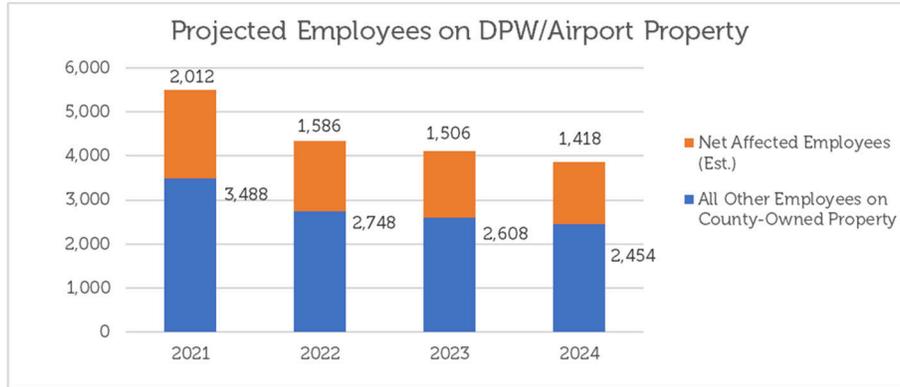
Lease Manager	No. of Businesses	Total Employees	Employees Earning \$20/Hour or Less
Dept. of Public Works/Airport	504	5,500	2,012
Dept. of General Services	150	1,700	622
<b>Grand Total</b>	<b>654</b>	<b>7,200</b>	<b>2,634</b>

Based on a number of data sources and information provided to DTA, DTA estimates that there are approximately 7,200 employees in the Focus Area (approximately 5,500 employees on DPW/Airports property and 1,700 employees on DGS property). From the survey responses received, DTA estimated that approximately 37% (or 2,012 DPW/Airports employees and 622 DGS employees) of all employees in the Focus Area earn \$20 per hour or less, as seen in Table 8 above. **Notably, the assumption in the following analysis is that the implementation of this Ordinance would create “spillover” whereby some employees currently earning more than the proposed wage floor, would receive a pay increase in order to maintain the existing wage differentials. Therefore, DTA has assumed that the affected wage range would be between \$15 per hour (the California minimum wage, effective January 1, 2022) and \$20 per hour.**

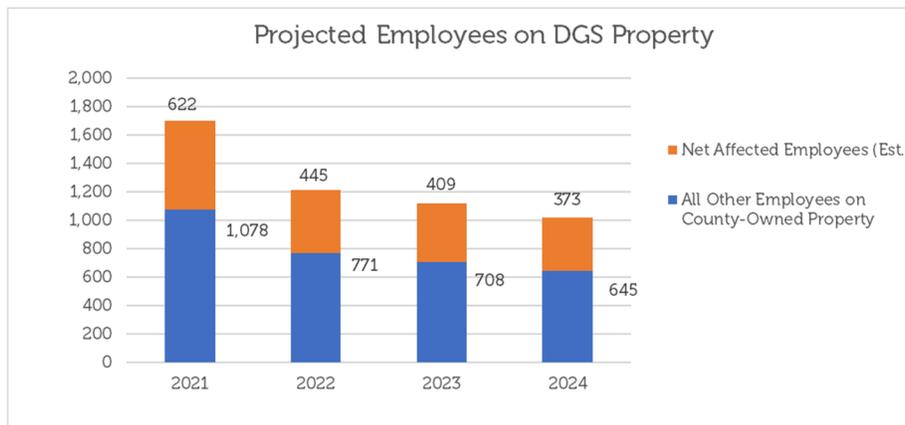
The analysis also factored in the possibility that some businesses with expiring leases starting in 2022, would not renew these leases in light of the proposed Ordinance. Based on (i) the lease data provided by the County and (ii) the assumption that 75% of expiring leases and subleases would not be renewed, that is further discussed in Section G below; DTA estimated that in 2022 approximately 150 businesses in the Focus Area would be relocated. Specifically, this accounts for 106 businesses (or 1,166 employees) on DPW/Airports property and 44 businesses (or 484 employees) on DGS property. Included in this total, are approximately 603 employees (i.e., 37% of the total employees) that would have benefitted from the proposed wage floor.

Based on this projection, by the end of 2022, relocations would reduce the total employees on County-owned property to 5,550 (approximately 1,586 + 2,748 = 4,334 employees on DPW/Airports property and 445 + 771 = 1,216 employees on DGS property). DTA further projects these effects in 2023 and 2024, based again on the expiring leases and subleases in those years. **Figures 2 and 3** below summarize the employment projections between 2022 and 2024, resulting from the proposed Ordinance.

**Figure 2 (DPW/Airports Property)**



**Figure 3 (DGS Property)**



Notably, this estimate does not account for several factors that could further impact the number of employees over time, including (i) relocation of businesses that have active leases but choose to relocate anyway, and (ii) the possibility of layoffs and business closures.

**E Potential Effect on Total Wages**

This section focuses on the wage impacts on employees that would be directly impacted by the proposed Ordinance. As discussed in the previous section, to estimate the upper bound increase in wages, DTA assumed a wage increase of \$1.50 per hour (corresponding to an increase from California minimum wage to the proposed wage floor of \$16.50 per hour) would apply to the 2,634 employees earning \$20 per hour or less (i.e., 2,012 DPW/Airports employees and 622 DGS employees). In order to estimate the total current wages earned by the employees in this wage range, DTA used \$17.50 per hour (the midpoint of the wage range) and multiplied this figure by the estimated employee counts above. Assuming that these employees work full time (i.e., 2,080 hours per year), this results in total

current wages for employees in the affected wage range, of \$95.9 million per year (i.e., \$73.2 million on DPW/Airports property and \$22.6 million on DGS property).

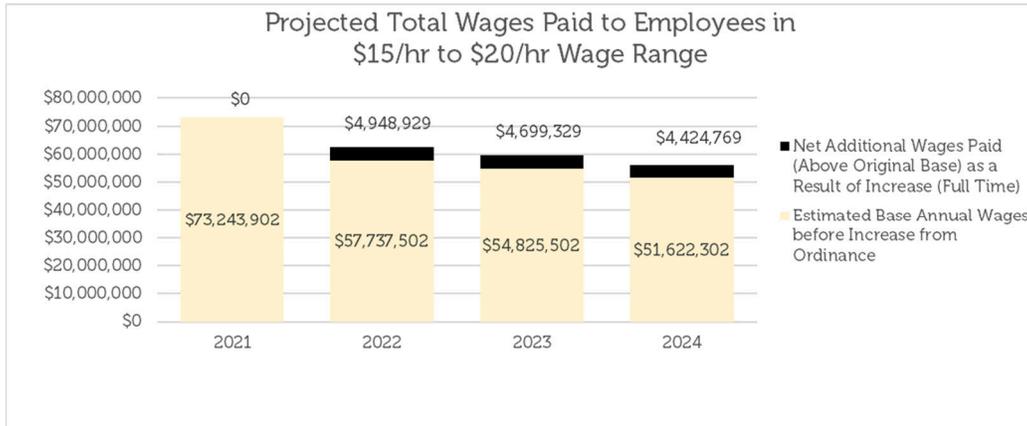
Next, to estimate the increase in total wages for the employees in the affected wage range, DTA assumed that all 2,634 impacted employees would receive an increase of \$1.50 per hour. This generates an increase, totaling \$8.2 million per year in additional wages (approximately \$6.3 million per year in additional wages on DPW/Airports property and \$1.9 million per in additional wages on DGS property), under the assumption that the employees work full-time.

However, as discussed in the previous section, the analysis also factored in the possibility that some businesses with expiring leases starting in 2022, would not renew their leases in light of the proposed Ordinance. Utilizing the same assumptions as the previous section, DTA estimated that in 2022 approximately 150 businesses in the Focus Area would be relocated and because of these relocations, by the end of 2022 there would a total of 5,550 total employees across all salary ranges, remaining on County-Owned land (i.e., approximately 4,334 employees on DPW/Airports property and 1,216 employees on DGS property). Of the remaining employees, 2,031 employees (i.e., 37% of the new total of 5,550 employees) would be earning \$20 per hour or less and would be subject to the wage increase of \$1.50 per hour. Therefore, the net wage increase on County-Owned property, would be a total of \$6.3 million per year in additional wages (approximately \$4.9 million per year in additional wages on DPW/Airports property and \$1.4 million per in additional wages on DGS property), under the assumption that the employees work full time.

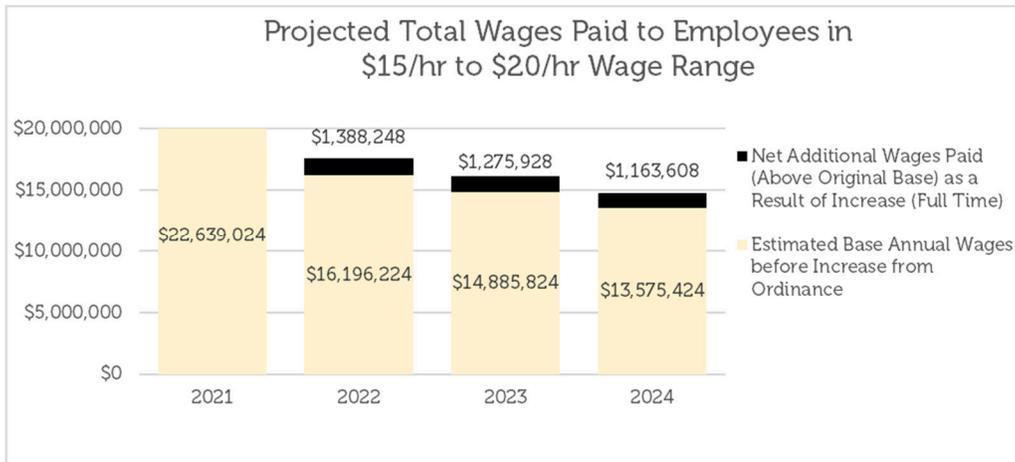
An important consideration is that while there is a wage increase experienced by the employees earning between \$15 per hour and \$20 per hour, the potential relocations have the effect of reducing the total wages earned on County-owned property. In other words, as businesses relocate, the pool of targeted employees decreases. More specifically, by the end of 2022, the total wages earned by affected employees are projected to drop to \$80.2 million (i.e., \$62.7 million on DPW/Airports property and \$17.6 million on DGS property) from \$95.9 million per year estimated for 2021. Again, DTA further projects these effects in 2023 and 2024, based on the expiring leases and subleases in those years.

**Figures 4 and 5** below summarize the projected wages for impacted employees, between 2022 and 2024, resulting from the proposed Ordinance.

**Figure 4 (DPW/Airports Property)**



**Figure 5 (DGS Property)**



**F Regional Economic Impacts**

By the end of 2022, the projected net increase in wages (for workers that currently earn less than the proposed living wage of \$16.50, that would otherwise not be impacted by a relocation of their employer) resulting from the proposed Ordinance would be: approximately \$4.9 million per year for DPW/Airports property and approximately \$1.4 million per year for DGS property. This includes spillover effects, whereby businesses would increase wages for other employees to maintain the same wage differentials.

“**Total Economic Output**” represents the total value of all goods and/or services produced throughout a designated economy during a specified period of time, including Labor Income, Other Value Added, and the cost of Intermediate Inputs. Each of these components are defined below.

- **“Labor Income”** includes employee compensation (wages and benefits) and payments received by self-employed individuals and unincorporated business owners.
- **“Other Value Added”** encompasses other property income, such as the consumption of capital investment, profits, royalties, dividends, interest impacts, and taxes on production and imports.
- **“Intermediate Inputs”** include purchases of non-durable goods and services used for the production of other goods and services within a project, rather than for final consumption. Intermediate Inputs equal the Total Economic Output minus the sum of Labor Income and Other Value Added.

Therefore, as a result of the proposed Ordinance, the Economic Output would increase by a total of \$6.3 million per year (i.e., \$4.9 million per year from DPW/Airports property and \$1.4 million per year from DGS property). This increase would create indirect and induced economic effects. Specifically, the induced effects would likely be positive, as employees would increase their demand for goods and services in the County as a result of the higher income. In contrast, the indirect effects are hard to predict, but could be negative as the increased wage budgets may negatively impact production/services growth and limit the need for additional supplies/services from related businesses.

Overall, these individual impacts are difficult to quantify, without fully understanding the business types and the effect on each such type. However, it is possible that increased induced effects (employee spending) may be offset by the relocation/closure of businesses that reduce the demand from the related businesses (i.e., the supply chain).

## G Potential Reductions in Revenue

As previously discussed, the Study also factored in the possibility that some businesses with expiring leases starting in 2022, would not renew their leases in light of the proposed Ordinance. The County generates approximately \$4.5 million from DGS property and \$13.4 million from ground lease tenants on DPW/Airports property (where such ground lease tenants generate an additional \$22.5 million in revenue from subtenants on the property they lease). It is important to note that on DPW/Airports property, the County only receives revenues from the ground leases, and the ground lease tenants receive revenues from sublease tenants.

Based on the lease data provided by the County, ground leases on DPW/Airports property set to expire in 2022, account for annual revenue of approximately \$324,833 (2.6% of the total current ground lease revenue) for the County. Additionally, the subtenant leases on DPW/Airports property set to expire in 2022, account for an annual revenue of \$6.5 million (29.1% of the total sublease revenue). Finally, leases on DGS property set to expire in 2022, account for an annual revenue of approximately \$2.4 million (52.9% of the total current lease revenue).

For purposes of this analysis, **DTA has assumed that 75% of the tenants and subtenants with expiring leases, would relocate to some other property.** Of note, the surveys conducted showed that 50% of respondents indicated they would relocate if the proposed

Ordinance were enacted. However, DTA anticipates that a larger percentage of tenants and subtenants could relocate, particularly once their leases have expired. The reasoning for using a higher percentage (i.e., 75% instead of the 50% from the surveys) is as follows:

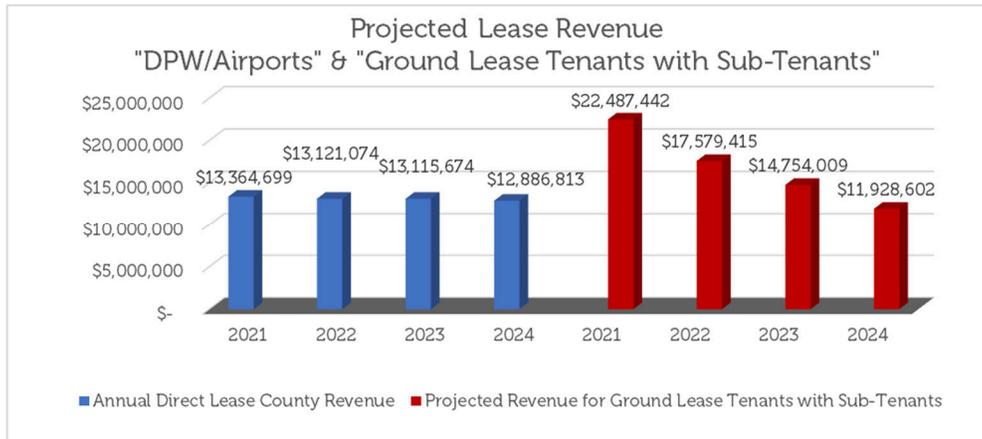
- The survey question was not conditioned on lease expiration, which implies that 50% of the respondents were claiming that they would likely relocate even before their leases expired. From this, DTA would expect the percentage of tenant/subtenants opting to relocate, to be greater when such tenants/subtenants have expiring leases;
- Leases and subleases are generally set at market rate based on the comparable properties in the marketplace. Per County Policy F-51, the County is required to lease at market rate, as determined by comparable properties. Therefore, a non-aviation tenant whose lease expires would generally have the option to relocate to a similar space for the same lease rate and avoid paying higher wages to employees as a result of this Ordinance. This would increase the likelihood that a tenant or subtenant relocates once their lease has expired.

It is important to note that there are some limitations with these assumptions. Firstly, there are likely certain tenants that rely on specific types of property on County-Owned land (e.g., airport businesses, or park vendors). As a result, the options for such businesses to relocate may be limited. Secondly, even though tenants/businesses may relocate, there's still potential for other tenants to occupy the vacated space, if for example, the new tenant is either exempt from the proposed Ordinance or has a wage structure that would not be impacted by the Ordinance. Therefore, the above limitations could result in revenue decreases that are less than those estimated in this Study.

Based on the above information, DTA estimates that by the end of 2022, revenue to County from ground leases on DPW/Airports property may decrease by as much as \$243,625 per year (1.9% of the total current ground lease revenue), revenue to ground lease tenant on DPW/Airports property from subtenants may decrease as much as \$4.9 million per year (21.8% of the total current subtenant lease revenue), and revenue from leases on DGS property may decrease by as much as \$1.8 million per year (39.7% of the total current lease revenue).

Similar to previous sections, DTA further projects these effects in 2023 and 2024, based on the expiring leases and subleases in those years. **Figures 6** and **7** below summarize the projected revenue impacts, between 2022 and 2024, resulting from the proposed Ordinance.

**Figure 6**



**Figure 7**



**H Potential Relocation of Lease Holders and / or Loss of Potential Future Businesses**

A potential concern of implementing the proposed Ordinance is that current companies may decide to relocate their businesses outside of the County, State, or country, resulting in lost revenue to the County and surrounding cities. Among the destination locations mentioned in the surveys are Florida and Texas. In the analysis in Sections D, E, F, and G, DTA evaluates the impact of relocations based on the leases set to expire in the coming years. However, there is a possibility that the Ordinance could result in tenants/subtenants walking away from leases prior to termination, although such impacts are difficult to quantify.

Another concern is the likelihood of potential tenants deciding not to locate their business on County-owned property due to the proposed Ordinance. This would not only affect the

County, but also closely surrounding areas such as El Cajon and Carlsbad. In fact, according to one of the survey respondents, in 2021 Amazon backed out of a last-mile distribution center project (that would have resulted in about 400 new jobs) near San Diego, California, due to the County's intention to enact the proposed Ordinance.

### **I The Impact to Public Utilities, NGOs, and Non-Profits**

Both Public Utilities and Non-Government Organizations play a unique role in the cities and counties and are often given certain exemptions from taxes, laws, and ordinances that apply to their surrounding neighbors. A Public Utility company is an organization that maintains the infrastructure for a public service (often also providing a service using that infrastructure). Public utilities are subject to forms of public control and regulation ranging from local community-based groups to statewide government monopolies. Public utilities are regarded as natural monopolies because the infrastructure required to produce and deliver a product such as electricity is very expensive to build and maintain, and as a result such entities are afforded exemptions. Public utilities are either government monopolies, or if investor-owned, regulated by a public utilities commission.

A Non-Governmental Organization ("NGO") is a non-profit group that functions independently of any government. NGOs, sometimes called civil societies, are organized on community, national, and international levels to serve a social or political goal such as humanitarian causes or the environment. It is typical in California to exclude employees of other government agencies, including without limitation, cities counties, state agencies, and public utilities, from living wage ordinances.

An example is the City of Los Angeles where there is an exemption for non-profit firms where the executive director's hourly wage rate is less than eight times the hourly wage rate of the lowest-paid worker, except for childcare firms, which are subject to the ordinance in all cases. The size of the organization and the revenue levels were not a factor of consideration. In the City of San Diego, both public utilities and NGOs are exempt from living wage (SDMC section 22.4215, i.e., public works construction, professional services) and vendors are eligible to apply for exemption [SDMC section 22. 4125(c)(1-2), i.e., businesses who employ 12 or fewer employees in one year, 501(c)(3) businesses who meet income requirements]. DTA would suggest that the County adopt the similar exemption policies to entities that are non-profit and working toward the betterment of the community and to public utilities which provide a vital service to the community.

## **J Other Exemptions and Exceptions to the Ordinance**

As discussed earlier, a number of other cities and counties have living wage ordinances and they each make a number of exceptions to their ordinances, that are specific to their jurisdiction. DTA suggests that the County use some of the City of San Diego existing exemptions and exceptions as a guideline should the Ordinance be enacted. In the City of San Diego, if the living wage ordinance applies, a company may submit a "Living Wage Ordinance Application" to the City for exemptions for the any of the following cases include the following:

- Firm employs 12 or fewer employees, including parent and subsidiaries. Specifically, employees 12 or fewer employees for each working day in each of 20 or more calendar weeks in the current or preceding calendar year, and the City determines that the business, including its subcontractors, will not need to retain more than 12 employees to perform work related to the subject agreement;
- Firm is 501(c)(3) non-profit and highest salary is less than 8x hourly rate of lowest salary.
- A Collective Bargaining Agreement specifically supersedes the living wage. A collective bargaining agreement may exempt a contract from the living wage provided such waiver or exemption is explicitly stated in the collective bargaining agreement.

In addition, the city has a number of categorical exemptions to the living wage ordinance, and they include the following:

- Contracts subject to federal or state law or regulations that preclude applicability of the living wage ordinance requirements.
- Contracts where the city shares management authority with other jurisdictions unless all those jurisdictions agree to the applicability of the living wage ordinance to the contract.
- Contracts for services by other governmental entities.
- Contracts for public works construction.
- Cooperative procurement contracts.
- Contracts for purchase of goods, property, or a lease of property, unless the contract includes a component for services that are more than incidental services.
- Contracts for professional services, as described in California Labor Code Section 515(a), such as design, engineering, financial, technical, legal, banking, medical, management, operating, advertising, or other services. The exemption for professional medical contracts shall not extend to service contracts for emergency medical personnel, including emergency medical technicians and paramedics.

- Contracts where compliance with the living wage ordinance is not in the best interests of the city as certified by the City Manager and approved by the City Council.

As stated in Section III, the early implementation of ordinances typically involved the granting of numerous waivers and exemptions, which often reduced their impact. Given, the small size of this Study area, the County may find that the number of exemptions granted may nullify the objectives of implementing the ordinance.

## **X CONCLUSIONS**

### **A Economic Impact Findings and Recommendations – Construction Contracts**

- Per input from Staff, the County may consider revising the proposed Ordinance to adjust the contract value cutoff from \$500K to \$1 million, that would require a Skilled and Trained Workforce. Notably, this threshold is consistent with several jurisdictions and agencies that have implemented similar ordinances.
- Potential increase in cost to the County for construction contracts, whereby bidders pass on the added cost of providing additional sick leave, in the bid price.
- Potential reduction in the number of contractors bidding on County contracts as they do not meet personnel or benefit requirements.
- Potential reduction in eligible subcontractors under the new requirements, many of whom are likely small businesses.
- Potential increase in costs for ground lessees, related to building construction and/or tenant improvements on existing buildings.

### **B Economic Impact Findings and Recommendations – Living Wage for Lessees and Tenants**

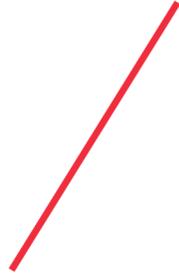
- In reviewing existing literature and case studies on similar ordinances, DTA determined that a “wage floor” approach (as opposed to a calculated living wage) would be most appropriate to implement as part of this Ordinance.
- Assuming a “wage floor” were implemented, DTA would suggest a rate of \$16.50 per hour, covering all job types not subject to exemption. The County may also consider providing an option of a wage rate combined with a per-hour payment for health benefits to reduce the impacts on businesses.
- The ordinances should incorporate a Cost-of-Living Adjustment (“COLA”) each year based on the percentage increase in the US Bureau of Labor Statistics Consumer Price Index (“CPI”) for all Urban consumers in the San Diego – Carlsbad area. (The US Bureau of Labor Statistics combines San Diego and Carlsbad into the San Diego area for the purpose of calculating the CPI.)
- Applying the Ordinance to businesses with existing lease agreements, may result in legal ramifications for the County. City of Los Angeles, in its enactment of a living wage ordinance, included a provision that triggered the requirements of the ordinance upon lease renewal.
- The County may need to consider the cost of monitoring and enforcing the provisions of the Ordinance requirements for applicable businesses, especially as subtenants change over time.
- The net effect of the proposed Ordinance is difficult to determine, given the

information gathered to-date, and will depend on the relative strength of each of the following effects:

- If the proposed Ordinance raises the income of workers who reside in the County, consumer incomes and spending will increase. Additionally, induced effects would result in increased employment associated with greater consumer spending.
- In contrast, if the living wage results in higher labor costs that impact business operations and disincentivize businesses to hire employees, the impact would be reduced employment within the County-owned properties and/or in the County. The indirect effects would result in decreased economic output from the businesses' supply chain.
- DTA's analysis focused on (i) leases administered by Department of General Services, and (ii) property at Gillespie Field and McClellan-Palomar as a representative sample of leases administered by County Department of Public Works/Airports (collectively, the "Focus Area"). Based on the survey results and other assumptions discussed in the Study, the following preliminary quantitative impacts were estimated for the Focus Area:
  - By the end of 2022, the total revenue from ground leases and subleases would **decrease by \$6.95 million**: approximately \$5.2 million on DPW/Airports property and \$1.8 million on DGS property. This would be the result of non-renewal of ground leases and subleases expiring in 2022.
  - Additionally, because of the relocation of businesses resulting from the non-renewal of ground leases and subleases, wages currently earned on County-owned property in the same period, would **decrease by \$21.9 million**: approximately \$15.5 million on DPW/Airports property and \$6.4 million on DGS property.
  - Finally, for workers that currently earn less than the proposed wage floor of \$16.50 (that would otherwise not be impacted by a relocation of their employer), wages are anticipated to **increase by \$6.3 million** by the end of 2022: approximately \$4.9 million for DPW/Airports property and approximately \$1.4 million for DGS property.
  - In total, by the end of 2022, the net impact of the proposed Ordinance would be a **decrease of \$22.6 million** in wages earned and lease revenues generated, on County-owned property.
  - Although a quantitative evaluation is outside the scope of this Study, the impacts of businesses relocating to other areas, as a result of the proposed Ordinance, would also impact the sales tax revenues and business license revenues to the County and to the cities of El Cajon and Carlsbad.

# **APPENDIX A**

County of San Diego  
Impact of Working Families Ordinance



# **IMPACT MODEL**

**Table 1: Business & Employment Assumptions**

<b>Lease Manager</b>	<b>No. of Businesses</b>	<b>Total Employees [1]</b>	<b>Employees Earning \$20/Hour or Less [2]</b>
Dept. of Public Works/Airport	504	5,500	2,012
<i>Gillespie Field</i>	326	3,500	1,280
<i>McClellan-Palomar</i>	178	2,000	732
Dept. of General Services	150	1,700	622
<b>Grand Total</b>	<b>654</b>	<b>7,200</b>	<b>2,634</b>

[1] Analysis assumes approximately 11 employees per business, based on the estimated businesses and employees at Gillespie Field.

[2] Based on DTA's survey results, businesses that responded to the survey had an average of forty-one (41) employees, and of this total, approximately fifteen (15) earned \$20/hour or less.

**Table 2: Assumptions on Current Wages**

<b>Lease Manager</b>	<b>Employees Earning \$20/Hour or Less [1]</b>	<b>Current Base Wages per Hour [2]</b>	<b>Gross Increase (Assuming Full Time) [3]</b>
Dept. of Public Works/Airport	2,012	\$35,213	\$73,243,902
Dept. of General Services	622	\$10,884	\$22,639,024
<b>Grand Total</b>	<b>2,634</b>	<b>\$46,098</b>	<b>\$95,882,927</b>

[1] See Table 1 above.

[2] Assuming employees are full-time and work approximately 2,080 per year.

[3] For employees earning \$20/hour or less, DTA assumed the average wage equal to \$17.50/hour, equivalent to the mid-point of the range.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 3: Assumptions on Wage Increases**

<b>Lease Manager</b>	<b>Employees Earning \$20/Hour or Less [1]</b>	<b>Increase in Wages/Hour [2]</b>	<b>Gross Increase (Assuming Full Time) [3]</b>
Dept. of Public Works/Airport	2,012	\$3,018	\$6,278,049
Dept. of General Services	622	\$933	\$1,940,488
<b>Grand Total</b>	<b>2,634</b>	<b>\$3,951</b>	<b>\$8,218,537</b>

[1] See Table 1 above. DTA has assumed that, due to "spillover" effects, wage increases would apply to all employees earning \$20/hour or less.

[2] Assuming employees are full-time and work approximately 2,080 per year.

[3] Assumed increase of \$1.50 / hour per employee, based on the increase that would be required to go from minimum wages (eff. 1/1/2022) to the proposed wage floor of \$16.50.

**Table 4: Lease Revenue Assumptions**

<b>Lease Manager</b>	<b>Estimated Lease Revenue (2021) [1]</b>	<b>Revenues received by County [1]</b>	<b>Revenues received by Ground Lease Tenants [1]</b>
Dept. of Public Works/Airport	\$35,852,141	\$13,364,699	\$22,487,442
<i>Direct Leases</i>	\$13,364,699	\$13,364,699	\$0
<i>Subtenant Leases</i>	\$22,487,442	\$0	\$22,487,442
Dept. of General Services	\$4,541,346	\$4,541,346	\$0
<b>Grand Total</b>	<b>\$40,393,486</b>	<b>\$17,906,045</b>	<b>\$22,487,442</b>

[1] Source: County of San Diego.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 5: Assumptions on Lease Expirations**

<b>Lease Manager</b>	<b>Leases Set to Expire in 2022 [1]</b>	<b>Leases Set to Expire in 2023 [1]</b>	<b>Leases Set to Expire in 2024 [1]</b>
Dept. of Public Works/Airport	\$6,868,869	\$324,833	\$6,544,035
<i>Revenue to County [2]</i>	\$324,833	\$324,833	\$0
<i>Revenue to Ground Lessees [2]</i>	\$6,544,035	\$0	\$6,544,035
Dept. of General Services [3]	\$2,403,869	\$2,403,869	\$0
<b>Grand Total</b>	<b>\$9,272,738</b>	<b>\$2,728,702</b>	<b>\$6,544,035</b>

[1] Source: County of San Diego. Amount represents the annual value of lease, based on the lease terms.

[2] See Table 4 above.

[3] DTA assumed that leases that had expirations dates that were before 2021, would be subject to renewal. Subject to change based on further input from County.

**Table 6: Assumptions on Number of Businesses with Leases Expiring**

<b>Lease Manager</b>	<b>Leases Set to Expire in 2022 [1]</b>	<b>Leases Set to Expire in 2023 [1]</b>	<b>Leases Set to Expire in 2024 [1]</b>
Dept. of Public Works/Airport	144	28	43
<i>Direct Leases</i>	3	1	14
<i>Subtenant Leases</i>	141	27	29
Dept. of General Services [2]	59	12	12
<b>Annual Total</b>	<b>203</b>	<b>40</b>	<b>55</b>
<i>Cumulative Total</i>	<i>203</i>	<i>243</i>	<i>298</i>

[1] Source: County of San Diego. Amount represents the annual value of lease, based on the lease terms.

[2] DTA assumed that leases that had expirations dates that were before 2021, would be subject to renewal. Subject to change based on further input from County.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 7: Assumptions on Revenue Lost from Expiring Leases**

Lease Manager	Revenue Loss by the end of 2022 [1]	Revenue Loss by the end of 2023 [1]	Revenue Loss by the end of 2024 [1]
Dept. of Public Works/Airport	\$5,151,652	\$243,625	\$4,908,027
<i>Revenue to County [2]</i>	<i>\$243,625</i>	<i>\$243,625</i>	<i>\$0</i>
<i>Revenue to Ground Lessees [2]</i>	<i>\$4,908,027</i>	<i>\$0</i>	<i>\$4,908,027</i>
Dept. of General Services [3]	\$1,802,902	\$1,802,902	\$0
<b>Annual Total</b>	<b>\$6,954,553</b>	<b>\$2,046,527</b>	<b>\$4,908,027</b>
<i>Cumulative Total</i>	<i>\$6,954,553</i>	<i>\$9,001,080</i>	<i>\$13,909,107</i>

[1] DTA assumes 75% of leases up for renewal, are not renewed.

[2] See Tables 4 and 5, above.

[3] DTA assumed that leases that had expirations dates that were before 2021, would be subject to renewal. Subject to change based on further input from County.

**Table 8: Assumptions on Affected Businesses**

Lease Manager	Businesses Lost by the end of 2022 [1]	Businesses Lost by the end of 2023 [1]	Businesses Lost by the end of 2024 [1]
Dept. of Public Works/Airport	106	20	22
<i>Direct Leases [2]</i>	<i>0</i>	<i>0</i>	<i>0</i>
<i>Subtenant Leases</i>	<i>106</i>	<i>20</i>	<i>22</i>
Dept. of General Services	44	9	9
<b>Annual Total</b>	<b>150</b>	<b>29</b>	<b>31</b>
<i>Cumulative Total</i>	<i>150</i>	<i>179</i>	<i>210</i>

[1] DTA assumes 75% of leases up for renewal, are not renewed.

[2] DTA did not have adequate time to fully evaluate the interplay of the direct and subtenant leases. Therefore, given the minimal impact on ground lease revenues (based on lease expirations) the analysis excludes employment impacts on ground lease tenants.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 9: Assumptions on Total Employees Relocated**

<b>Lease Manager</b>	<b>End of 2022 [1]</b>	<b>End of 2023 [1]</b>	<b>End of 2024 [1]</b>
Dept. of Public Works/Airport	1,166	220	242
Dept. of General Services	484	99	99
<b>Annual Total</b>	<b>1,650</b>	<b>319</b>	<b>341</b>
<i>Cumulative Total</i>	<i>1,650</i>	<i>1,969</i>	<i>2,310</i>

[1] DTA assumes eleven (11) employees per business. See Table 1.

[2] DTA did not have adequate time to fully evaluate the interplay of the direct and subtenant leases. Therefore, given the minimal impact on ground lease revenues (based on lease expirations) the analysis excludes employment impacts on ground lease tenants.

**Table 10: Assumptions on Employees Onsite (after Relocations)**

<b>Lease Manager</b>	<b>End of 2022</b>	<b>End of 2023</b>	<b>End of 2024</b>
<b>Dept. of Public Works/Airport [1]</b>	<b>4,334</b>	<b>4,114</b>	<b>3,872</b>
<i>Beginning Total for Year [2]</i>	<i>5,500</i>	<i>4,334</i>	<i>4,114</i>
<i>Employees Relocated (Lost) for Year [3]</i>	<i>(1,166)</i>	<i>(220)</i>	<i>(242)</i>
<b>Dept. of General Services [1]</b>	<b>1,216</b>	<b>1,117</b>	<b>1,018</b>
<i>Beginning Total for Year [2]</i>	<i>1,700</i>	<i>1,216</i>	<i>1,117</i>
<i>Employees Relocated (Lost) for Year [2]</i>	<i>(484)</i>	<i>(99)</i>	<i>(99)</i>
<b>Annual Total</b>	<b>5,550</b>	<b>5,231</b>	<b>4,890</b>
<i>Cumulative Total</i>	<i>5,550</i>	<i>10,781</i>	<i>15,671</i>

[1] As shown in the table, "Beginning Total for Year" less the "Employees Relocated (Lost) for Year".

[2] "Beginning Total for Year" for 2022 taken from Table 1. Amounts for future years derived from project employee losses each year.

[3] "Employees Relocated (Lost) for Year" taken from Table 9.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 11: Assumptions on Employees Relocated, Earning \$20/hour or Less**

<b>Lease Manager</b>	<b>End of 2022 [1]</b>	<b>End of 2023 [1]</b>	<b>End of 2024 [1]</b>
Dept. of Public Works/Airport	426	80	88
Dept. of General Services	177	36	36
<b>Annual Total</b>	<b>603</b>	<b>116</b>	<b>124</b>
<i>Cumulative Total</i>	<i>603</i>	<i>719</i>	<i>843</i>

[1] DTA assumes eleven (11) employees per business. See Table 1.

**Table 12: Assumptions on Employees Onsite (after Relocations), Earning \$20/hour or Less**

<b>Lease Manager</b>	<b>End of 2022</b>	<b>End of 2023</b>	<b>End of 2024</b>
<b>Dept. of Public Works/Airport [1]</b>	<b>1,586</b>	<b>1,506</b>	<b>1,418</b>
<i>Beginning Total for Year [2]</i>	<i>2,012</i>	<i>1,586</i>	<i>1,506</i>
<i>Employees Relocated (Lost) for Year [3]</i>	<i>(426)</i>	<i>(80)</i>	<i>(88)</i>
<b>Dept. of General Services [1]</b>	<b>445</b>	<b>409</b>	<b>373</b>
<i>Beginning Total for Year [2]</i>	<i>622</i>	<i>445</i>	<i>409</i>
<i>Employees Relocated (Lost) for Year [2]</i>	<i>(177)</i>	<i>(36)</i>	<i>(36)</i>
<b>Annual Total</b>	<b>2,031</b>	<b>1,915</b>	<b>1,791</b>
<i>Cumulative Total</i>	<i>2,031</i>	<i>3,946</i>	<i>5,737</i>

[1] As shown in the table, "Beginning Total for Year" less the "Employees Relocated (Lost) for Year".

[2] "Beginning Total for Year" for 2022 taken from Table 2. Amounts for future years derived from project employee losses each year.

[3] "Employees Relocated (Lost) for Year" taken from Table 10.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 13: Assumptions on Base Wages (Prior to Ordinance), For Employees Earning \$20/hour or Less**

<b>Lease Manager</b>	<b>End of 2022</b>	<b>End of 2023</b>	<b>End of 2024</b>
<b>Dept. of Public Works/Airport [1]</b>	<b>\$57,737,502</b>	<b>\$54,825,502</b>	<b>\$51,622,302</b>
<i>Base Wages (\$17.50/Hour; 2,080 Hours) [2]</i>	<i>\$73,243,902</i>	<i>\$57,737,502</i>	<i>\$54,825,502</i>
<i>Wages for Employees Relocated for Year [3]</i>	<i>(\$15,506,400)</i>	<i>(\$2,912,000)</i>	<i>(\$3,203,200)</i>
<b>Dept. of General Services [1]</b>	<b>\$16,196,224</b>	<b>\$14,885,824</b>	<b>\$13,575,424</b>
<i>Base Wages (\$17.50/Hour; 2,080 Hours) [2]</i>	<i>\$22,639,024</i>	<i>\$16,196,224</i>	<i>\$14,885,824</i>
<i>Wages for Employees Relocated for Year [3]</i>	<i>(\$6,442,800)</i>	<i>(\$1,310,400)</i>	<i>(\$1,310,400)</i>
<b>Annual Total</b>	<b>\$73,933,727</b>	<b>\$69,711,327</b>	<b>\$65,197,727</b>
<i>Cumulative Total</i>	<i>\$73,933,727</i>	<i>\$143,645,054</i>	<i>\$208,842,780</i>

[1] As shown in the table, "Beginning Total for Year" less the "Employees Relocated (Lost) for Year".

[2] "Base Wages" for 2022 taken from Table 2. Amounts for future years derived from project employee losses each year.

[3] "Wages for Employees Relocated for Year" based on employee counts in Table 12, assuming averages wages of \$17.50/hour and 2,080 hours per year.

**Table 14: Assumptions on Net Wage Increases (After Ordinance), Net of Relocations, For Employees Earning \$20/hour or Less**

<b>Lease Manager</b>	<b>End of 2022</b>	<b>End of 2023</b>	<b>End of 2024</b>
<b>Dept. of Public Works/Airport [1]</b>	<b>\$4,948,929</b>	<b>\$4,699,329</b>	<b>\$4,424,769</b>
<i>Gross Wage Increase (\$1.50/Hour; 2,080 Hours) [2]</i>	<i>\$6,278,049</i>	<i>\$4,948,929</i>	<i>\$4,699,329</i>
<i>Unrealized Wage Increases (from Relocations) [3]</i>	<i>(\$1,329,120)</i>	<i>(\$249,600)</i>	<i>(\$274,560)</i>
<b>Dept. of General Services [1]</b>	<b>\$1,388,248</b>	<b>\$1,275,928</b>	<b>\$1,163,608</b>
<i>Gross Wage Increase (\$1.50/Hour; 2,080 Hours) [2]</i>	<i>\$1,940,488</i>	<i>\$1,388,248</i>	<i>\$1,275,928</i>
<i>Unrealized Wage Increases (from Relocations) [3]</i>	<i>(\$552,240)</i>	<i>(\$112,320)</i>	<i>(\$112,320)</i>
<b>Annual Total</b>	<b>\$6,337,177</b>	<b>\$5,975,257</b>	<b>\$5,588,377</b>
<i>Cumulative Total</i>	<i>\$6,337,177</i>	<i>\$12,312,433</i>	<i>\$17,900,810</i>

[1] As shown in the table, "Gross Wage Increase" less the "Unrealized Wage Increases".

[2] "Gross Wage Increase" for 2022 taken from Table 3. Amounts for future years derived from project employee losses each year.

[3] "Wages for Employees Relocated for Year" based on employee counts in Table 12, assuming averages wages of \$1.50/hour and 2,080 hours per year.

**Impact Analysis**  
**Working Families Ordinance (San Diego County)**

**Table 15: Assumptions on Net Impact of Proposed Ordinance**

<b>Impact Category</b>	<b>End of 2022</b>	<b>End of 2023</b>	<b>End of 2024</b>
Revenue Lost from Expiring Leases [1]	(\$6,954,553)	(\$2,046,527)	(\$4,908,027)
Wages for Employees Relocated [2]	(\$21,949,200)	(\$4,222,400)	(\$4,513,600)
Gross Wage Increase (\$1.50/Hour; 2,080 Hours) [3]	\$6,337,177	\$6,337,177	\$5,975,257
<b>Annual Impact on County-Owned Property</b>	<b>(\$22,566,577)</b>	<b>\$68,250</b>	<b>(\$3,446,370)</b>
<i>Cumulative Impact on County-Owned Property</i>			<i>(\$25,944,697)</i>

[1] See Table 7

[2] See Table 13

[3] See Table 14

## **APPENDIX B**

County of San Diego  
Impact of Working Families Ordinance



## **REFERENCES**

## Sources and Publications used in preparation of Working Families Ordinance Study

### Case Studies and Publications

- Dube, Arindrajit, et al. "The Economic Effects of a Citywide Minimum Wage." Cornell University ILR School, 1 July 2007. <https://www.berkeleyside.org/wp-content/uploads/2013/06/Economic-Effects-of-a-Citywide-Minimum-Wage.pdf>  
Website accessed December 13, 2021
- Duncan, Kevin, and Alex Lantsberg. "Building the Golden State – The Economic Impacts of California’s Prevailing Wage Policy." Colorado State University, 2015. <http://www.smartcitiesprevail.org/wp-content/uploads/2017/03/SCP-Building-the-Golden-State-WEB.pdf>  
Website accessed December 13, 2021
- "Economic, Fiscal and Social Impacts of Prevailing Wage in San Jose, California." Economic Policy Brief produced by Working Partnership USA, 23 April 2022. [https://www.wpusa.org/5-13-11%20prevailing\\_wage\\_brief.pdf](https://www.wpusa.org/5-13-11%20prevailing_wage_brief.pdf)  
Website accessed December 15, 2021
- Farris, David, et al. "Examining the Evidence: The Impact of the Los Angeles Living Wage Ordinance on Workers and Businesses." 2015. [http://laane.org/downloads/Examining\\_the\\_Evidence.pdf](http://laane.org/downloads/Examining_the_Evidence.pdf)  
Website accessed December 15, 2021
- Glasmeier, Amy K., and Carey Anne Nadeau. "2020-2021 Living Wage Calculation for the County of San Diego." Department of Urban Studies and Planning at the Massachusetts Institute of Technology. <https://livingwage.mit.edu/counties/06073>  
Website accessed December 15, 2021
- Kauttu, Jeff. "Economic Analysis of the Proposed Working Families Ordinance." Kauttu Valuation, 10 September 2021.
- "Living Wage Program Contractors Guide." County of Los Angeles, 2021. [http://file.lacounty.gov/SDSInter/isd/dbw/1068603\\_LW\\_ContractorGuide.pdf](http://file.lacounty.gov/SDSInter/isd/dbw/1068603_LW_ContractorGuide.pdf)  
Website accessed December 16, 2021
- "New York State Prevailing Wage Economic Impact Study." Prepared for the Statewide Coalition for Smart Development. Weitzman Associates, LLC. <https://www.thepartnership.org/wp-content/uploads/2020/04/NYS-Prevailing-Wage-Economic-Impact-Study-Weitzman-Associates-FINAL1715.pdf>  
Website accessed December 16, 2021
- Pollin, Robert. "Santa Monica Living Wage Study: Response to Peer Reviews and Business Critics." Political Economy Research Institute, University of Massachusetts Amherst, 2012. <https://ideas.repec.org/p/uma/perirr/rr5.html>  
Website accessed December 16, 2021

Reich, Michael. "Living Wage Ordinances in California." University of California, Berkeley, 2003. <https://escholarship.org/uc/item/1wg595d1>  
Website accessed December 16, 2021

Reich, Michael, et al. "Living Wages and Economic Performance – The San Francisco Airport Model." Institute of Industrial Relations University of California, Berkeley, 2003. <https://laborcenter.berkeley.edu/wp-content/uploads/2021/06/Living-Wages-and-Economic-Performance-The-San-Francisco-Airport-Model.pdf>  
Website accessed December 17, 2021

Thornberg, Christopher, et al. "Cost-Benefit Analysis: Los Angeles Minimum Wage Proposal." Beacon Economics, 2015.  
[https://www.smgov.net/uploadedFiles/Departments/Council/Info\\_Items/Attachments%20C%20-%20Beacon%20Study%20\(Chamber%20of%20Commerce\).pdf](https://www.smgov.net/uploadedFiles/Departments/Council/Info_Items/Attachments%20C%20-%20Beacon%20Study%20(Chamber%20of%20Commerce).pdf)  
Website accessed December 17, 2021

### **County and City Sources**

City of San Diego Living Wage Compliance Department  
<https://www.sandiego.gov/compliance/living-wage>  
Website accessed throughout the Study process  
Last accessed December 20, 2021

Bureau of Contract Administration, City of Los Angeles  
<https://bca.lacity.org/living-wages-ordinance-lwo>  
Website accessed throughout the Study process  
Last accessed December 20, 2021

City of San Francisco, Office of Labor Standards Enforcement  
<https://sfgov.org/olse/minimum-wage-ordinance-mwo>  
Website accessed throughout the Study process  
Last accessed December 20, 2021



[www.FinanceDTA.com](http://www.FinanceDTA.com)

5000 BIRCH STREET, SUITE 3000  
NEWPORT BEACH, CA 92660  
PHONE: (800) 969-4DTA

Public Finance  
Public-Private Partnerships  
Development Economics  
Clean Energy Bonds