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Best Practices for Targeted Hiring in Preempted Cities

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What is the First Source/Local Residency Preference and why is it important?

First source and local residency preference hiring policies are those in which the government requires contractors to meet specified hiring targets of employees that are residents of the local community and/or are members of marginalized groups (women, people of color, etc.). The main benefit of first source hiring and local residency preference policies is that they create job opportunities specifically for economically disadvantaged community members. Public infrastructure projects represent an enormous opportunity for cities to invest directly in their own communities by supporting local businesses and residents, especially people of color and women.

Targeted hiring policies provide a framework that acknowledges structural inequalities faced by economically disadvantaged residents within the community. The following section will highlight two cities - Seattle and Milwaukee - who have successfully implemented a direct, First Source/Local Residents preference program via city ordinance. Creating First Source and Local Residency Programs via ordinance allows for the most holistic and far-reaching program design by concretely defining the target communities, designing accountability measures, and implementing any adjacent programming to support the desired ends. Following these city examples, a list of best practices serves to underscore important considerations when designing and planning for such a program. **Important to note up front is that many cities are under legal constraints when creating and enforcing local hire policies because of state preemption.** We discuss these and offer alternatives that aim for similar outcomes in the pages below.



First Source/Local Residency Programs Best Practices and Examples

Seattle, Washington, has a [Priority Hire ordinance](#) where city construction projects of \$5 million or more will be required to have project hours performed by workers living in economically distressed areas. In addition, City projects will have apprentice utilization



requirements and aspirational hiring goals for women and people of color. Contractors must ensure that up to 15% of the total contract labor hours are worked by apprentices enrolled in an approved apprenticeship program.

Milwaukee, Wisconsin, established a [Residents Preference Program](#) (RPP) by city ordinance in 2009 and last updated in 2017. It is a resident certification program that is designed to promote the use of city residents as part of a contractor's or developer's workforce on certain city-funded construction and private development projects. Contractors bidding on public works projects and development projects financed with public tax dollars must hire a percentage of RPP-certified City of Milwaukee residents to work on those projects. Typically, projects will include a 40% RPP requirement.

BEST PRACTICES:

- **Set specific hiring goals.**
 - In addition to local hiring goals and preference for economically disadvantaged residents, it can be helpful to include an **apprenticeship hiring goal**.
 - Some Project Labor Agreements (PLAs) even establish a target for veteran hires.
- **Have a clear definition of who a disadvantaged worker is and what is meant by local** i.e. using zip code designations (for First Source Hiring).
- **Establish a threshold for when targeted hiring policies will be used** (ex: targeted hiring practices are highly encouraged on any project that uses more than \$1000 of public funds).
- **Have a centralized system/dedicate people responsible for the implementation of the policy and the monitoring of the hiring practices.**
 - The body responsible for monitoring can be a government body or it can be a private organization.
 - Additionally, this body can assist as a referral process for other projects.
 - The body responsible for monitoring hiring practices must be adequately trained and staffed.
- **Timeliness:** Hiring practices should be reported to the centralized team/system in a timely manner.
- **Partner with agencies (preferably local) to provide training to local residents.**

- **Incentivize local “anchors”** (institutions such as universities, hospitals, schools, airports) to engage in local resident hiring practices by offering grants, offering attractive zoning policies, tax benefits etc.

Limitations/Legal Constraints

Often, local hiring requirements policies are included in what is called a project labor agreement (PLA). Critics of PLAs will argue that they increase costs of projects by accommodating union demands, are biased against non-union contractors, decrease competition, and are altogether unnecessary. However, research shows that projects where PLAs are used ensure a quality workforce, proper training, and a living wage. Finally, PLAs prohibit strikes by the workers and lockouts by the contractors which results in projects completed with PLAs to be completed in a timelier manner and within or below budget.

Many states have legal constraints that prevent the implementation and enforcement of PLAs:

- To learn what state preemption laws related to project labor agreements are in your state, view [this map](#) from Economic Policy Institute.
- In the name of creating “fair and open competition”, many states prohibit cities and counties from requiring city contractors to use PLAs.
- Additionally, states may limit city government’s ability to enforce PLAs or local hiring practices.

Despite state preemption, **there are still options available to local governments.**

Alternative and Supplemental Programs and Policies that Achieve Supportive Outcomes

In lieu of the legal restrictions placed on enforcing PLAs, we offer examples of cities that have implemented programs or taken on best practices that have the potential to achieve similar outcomes.

BID DISCOUNTS: TACOMA, WA

Rather than requiring project labor agreements/local residency requirements, Tacoma has a bid discount [program](#) which “**provides a 5% bid discount** for bids by prime contractors that meet specifications for using local small businesses as subcontractors (helping those contractors achieve low-bid status).”

Grand Rapids has a Micro Local Business Enterprise (MLBE) discount [program](#) that offers prime contractors a discount if they contract with a MLBE, and MLBEs can receive the discount themselves if they bid.

Milwaukee has a Local Business Enterprise (LBE) [ordinance](#) that was amended upon passage of Act 3 in 2017: “If a Local Business Enterprise (LBE) is a responsive and responsible bidder, the LBE shall be awarded the contract provided its bid does not exceed the lowest bid by more than 5% and the difference does not exceed \$25,000.

Effective January 01, 2017, if the LBE is certified as a Small Business Enterprise (SBE) with the City of Milwaukee’s Office of Small Business Development, the LBE shall be awarded the contract provided its bid does not exceed the lowest bid by more than 10% and the difference does not exceed \$30,000.”

Cities can consider offering additional discounts for contractors who use Minority and Women Owned Business Enterprises (MWBEs) as subcontractors. Additionally, cities can consider including incentives for contractors who hire apprentices and give preference to contractors who provide living wages and benefits, engage in equitable hiring practices and environmentally sustainable practices.

PRE-APPRENTICESHIP PROGRAMS: BALTIMORE, MD

Cities can also consider designing a pre-apprenticeship program such as [Project Jumpstart](#) in Baltimore. Project JumpStart is an 87-hour pre-apprenticeship training program focused on training low-income Baltimore City residents to enter and flourish in construction related careers. Project JumpStart also serves contractors by referring only well-screened, job-ready candidates to meet their entry-level hiring needs.

Implementing a pre-apprenticeship program can achieve outcomes similar to First Source/Local Hire programs if the intended participants in the program are made clear i.e., through zip code, unemployment status, etc. Conversely, a pre-apprenticeship program can form part of a First Hire or Resident Preference Program ordinance, usually through educational institutions or employment networking services.

COMMUNITY BENEFIT AGREEMENTS AND ENGAGEMENT: MILWAUKEE, WI

In Milwaukee, city and county governments are not party to labor agreements but have employed leverage in construction and end use employment agreements. For the construction of Fiserv Forum, the Deer District LLC put in place Project Labor Agreements (PLAs) with Milwaukee Building-Construction Trades Council. The terms of the agreement were that 40% of onsite construction hours were to be performed by City of Milwaukee residents who were unemployed or underemployed. [Read more here.](#)

The Community Benefits Agreement (CBA) covering the post-construction, end-use employment with Fiserv Forum and the Deer District came about through a private agreement between Milwaukee Bucks LLC (et al) and the Alliance for Good Jobs. CBAs can also include pre-apprenticeship programs (see above) as part of their specific project benefit - in this case, those programs would likely be through a union or other organization party to the agreement process.

Finally, as a best practice for engagement on this issue, Milwaukee **hosted local town halls** where people could learn about projects in their area. At the town hall meetings residents were able to create online profiles where they could market their skills to contractors and be matched with appropriate jobs. It is important that these meetings be adequately staffed and resourced with computers and printers so that residents can access all the materials needed to apply for jobs. Small best practices such as these can help cities target disadvantaged residents if such events are held in locales or institutions that primarily serve disadvantaged residents.

LOCAL IMPACT OF FEDERAL LEGISLATION

On the heels of the bipartisan Infrastructure Investment and Jobs Act passed by the House and Senate last year, President Biden signed an [Executive Order](#) instituting a project labor agreement requirement on federal construction projects worth more than \$35 million. Local trades leaders [praised](#) the action, and there is some hope that the work produced could help prove the value of PLA's in delivering quality construction projects while supporting local economies, reintroducing the topic for discussion states facing preemption.

Bottom line: this is a good time to be talking about ways to support local labor and keeping more money circulating in the local economy.

This brief is part of a series of publications MIP has released that was originally researched and compiled as a technical assistance memo to a participating member city. This memo was written in 2022 in response to a specific research question submitted by that member city. To make this publicly available, we've removed references to the original request and any location-specific recommendations. MIP members are invited to please reach out to us at knspear@mayorsinnovation.org to request their own policy memo on this or other topics.

For context, the original research question that prompted this memo was: The City is interested in ways to prioritize local, historically marginalized individuals and businesses in hiring and contracting. The City seeks examples of municipalities that have implemented either local residency requirements for city-funded construction projects or first source hiring programs. In each case, the City is interested in best practices that they have implemented, legal implications of such programs, and the results, outcomes, and impacts of the programs.

About Mayors Innovation Project

The Mayors Innovation Project is a learning network among American mayors committed to “high road” policy and governance: shared prosperity, environmental sustainability, and efficient democratic government. We are a project of High Road Strategy Center.



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