



July 10, 2024

Sent Via Electronic Mail to: msilver@bayareametro.gov

Joint MTC ABAG Legislation Committee
Bay Area Metro Center
375 Beale St., Suite 800
San Francisco, CA 94105

Re: SB 735 amending the San Francisco Bay Area Regional Housing Finance Act (Cortese and Portantino) - OPPOSE UNLESS AMENDED

Dear Chair Canepa, Vice-Chair Arreguin, and Members of the Joint Legislation Committee,

The board of the Bay Area Housing Finance Authority (BAHFA) voted on June 26th to place a measure on the ballots of the nine Bay Area counties in November 2024 for issuance of bonds of up to \$20 billion. The BAHFA Board and ABAG Executive Board also unanimously approved a regional expenditure plan that includes a set of robust labor standards – based on Legislature-approved housing labor standards language – for BAHFA-funded construction or rehabilitation work.

SB 735 (Cortese and Portantino), which recently passed through the Assembly Housing Committee, seeks to require all projects of 40 or more units receiving BAHFA bond funding to be subject to a Project Labor Agreement (PLA). This legislation is overly broad and risks the viability of the bond measure by requiring one-size-fits-all labor standards to projects in cities and counties with widely varying labor market dynamics and rates of union density.

The Nor Cal Carpenters Union (NCCU) strongly supports the concept of the State requiring labor standards for all construction funded in whole or in part by revenues raised by the authority of the San Francisco Bay Area Regional Housing Finance Act (“the Act”), **but we must urge you to oppose SB 735 as currently drafted.**

The NCCU believes that what will best further the interests of the working class of the San Francisco Bay Area is legislation that requires the strong housing labor standards that were modeled on existing State housing labor standards and that already have been approved by the Boards of both ABAG and BAHFA. The adopted policies provide direct-allocation localities with the discretion – as opposed to a mandate – to require that such standards be satisfied via PLAs. Any such PLA should not diminish the freedom of association and autonomy of relevant building and construction trades labor organizations.

Approved Regional Standards are Based on the Affordable Housing and High Road Jobs Act (AB2011)

The ABAG-approved regional labor standards are based on AB2011 (Wicks), the “Affordable Housing and High Road Jobs Act of 2022” ([Government Code sections 65912.130-65912.131](#)). The standards include **payment of prevailing wages** in accordance with state law for all new construction developments over ten (10) units. Contractors retained for new housing projects with at least fifty (50) units must also make **employer healthcare expenditures** that directly benefit trades workers and their dependents as well as meet **apprenticeship requirements** found in public works law.

The health care expenditure requirement of the ABAG-approved standards is especially important. Twenty-six percent of California construction workers are uninsured and another 200,000 are dependent on Medi-Cal or other public coverage for health care costs ([UC Berkeley Labor Center, 2022](#)). Most construction trades people who are uninsured or publicly insured build or remodel housing.

AB 2011 labor standards have a track record of attracting developer interest. Since AB 2011 took effect in 2023, developers have submitted applications for projects that would build approximately 3,500 units of housing with “high road” labor standards. AB2011 projects are in development not just in major cities such as San Francisco and Los Angeles, but in suburban cities such as Novato (pop. 53,000) and in rural Tulare County. This progress ought to assure voters who live outside of the Bay Area’s big cities that their property tax dollars will yield affordable housing solutions within their own communities.

The ABAG-approved labor standards language additionally provides *an option for localities that are directly allocated housing funds to require Project Labor Agreements in lieu of the high road labor standards.*

The ABAG-approved “high road” labor standards are also supported by a broad array of affordable housing advocates, contractors and developers.

SB 735’s Language Creates Ballot Box Risks

Bay Area elected officials who are responsible for the success or failure of the Bay Area regional housing bond measure and BAHFA’s future operations have not deliberated over nor agreed to SB 735’s language.

SB 735 borrows language from legislation for the single county of Los Angeles and would require all BAHFA-funded projects of 40 units or more – whether they are new construction or “preservation”/rehabilitation projects – to be subject to the terms and conditions of a BART Project Labor Agreement. The BART PLA was developed for nonresidential construction contracts for work performed in 5 out of the Bay Area’s 9 counties.

The NCCU believes that a 100%, one-size-fits-all PLA mandate – in contrast to a PLA option – is the wrong prescription for use of Bay Area regional housing bond proceeds.

There is no precedent for a one-size-fits-all Project Labor Agreement mandate for a multi-county bond measure paid for by all regional property taxpayers. SB 735’s sponsors reference SB 679

(Kamlager 2022) as a “successful model” and “proven roadmap” for utilizing PLAs with affordable housing projects in California. This comparison is off base.

SB 679 covers regional housing revenues for the single county of Los Angeles, not nine counties, via the Los Angeles County Affordable Housing Solutions Agency (LACAHSAs). LA County-wide voter support for LACAHSAs and its PLA requirement has not yet been tested. The sales tax revenue measure that will be on the November 2024 ballot requires support from only a simple majority of voters, not a super-majority.

The untested LACAHSAs statute took its 40-unit PLA threshold from the “ULA” ballot measure in 2022 that received 58% support from City of Los Angeles voters. Several issues distinguish that ballot measure from an upcoming Bay Area housing bond ballot measure.

First, Bay Area regional bond measure voters will have more “skin in the game” than ULA voters did. ULA’s funding mechanism is a real estate transfer tax collected from the minority of commercial and residential property owners who sell properties for \$5 million or more. The BAHFAs bonds, in contrast, will be financed by an “ad valorem” tax (estimated to be \$19 per \$100,000 of assessed value) on every parcel within the region’s nine counties every year.

Second, the authors and sponsors of SB 735 ignore the reality of vastly different rates of unionization of residential contractors and workers across the nine county Bay Area. Implementing a region-wide PLA requirement would create challenges in less urbanized Bay Area localities, for certain specialty trades, and for rehabilitation work. In each of those cases, unionized contractors can be rarities. A one-size-fits-all mandate would limit the ability of BAHFAs and the direct-allocation counties to distribute its funding equitably and efficiently.

Finally, SB 735 as currently written would create needless conflicts with approved plans that would be necessary to overcome to pass the bond measure in November. SB 735 also threatens to drive wedges within the coalition that supports the Bay Area regional housing bond and may embolden parochial anti-tax activists.

State Legislators Support Amending SB 735 to Reflect the Reality of Residential Construction

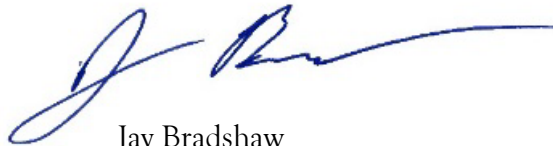
SB 735 passed through the June 26th Assembly Housing Committee hearing with 7 votes in favor, 1 against, and 1 abstention. Despite this, the Committee members shared concerns that the legislation does not properly address the reality of the residential labor market in all 9 Bay Area counties. Pointing to the legislative analysis shared with the Committee, members echoed the concerns we are raising in this letter, that the pool of unionized labor in LA County is not comparable to that of the Bay Area—particularly not when looking at individual counties. Legislators mentioned that the PLA mandate will not have decision making input from the local stakeholders that would otherwise be involved in crafting a PLA. Finally, Legislators took note of the NCCU’s concerns that the language of SB 735 could in effect exclude labor organizations that have chosen not to affiliate with the AFL-CIO or its local building trades councils.

Owing to the strong arguments made in opposition and the challenges SB 735 creates for the bond measure in November, Assemblymembers Wilson and Reyes, and Committee Chair Ward, all expressed a desire for Senator Cortese to work with the NCCU and other stakeholders to amend the legislation as it moves forward to the Assembly Appropriations Committee.

For these reasons, the Nor Cal Carpenters Union asks that the Joint MTC ABAG Legislation Committee **OPPOSE SB 735 in its current form**. A significant investment in Bay Area affordable housing production requires a broad consensus across regional elected officials and stakeholders, without putting the bond measure in jeopardy. The in-print language of SB 735 does not have such support.

We look forward to working with the Joint MTC ABAG Legislation Committee to express the importance of attaching strong, regionally supported labor standards to the bond measure, without risking its viability come November. Together, we can work with Senator Cortese to amend SB 735 to help ensure we have a fighting chance to pass this bond and build the affordable housing our communities so desperately need. Please do not hesitate to reach out to me or to my Executive Research Analyst Scott Littlehale (slittlehale@nccrc.org) with any questions.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Jay Bradshaw', with a long horizontal flourish extending to the right.

Jay Bradshaw
Executive Officer
Nor Cal Carpenters Union