



Home of the Tualatin River National Wildlife Refuge

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May 4, 2021

House Rules Committee
900 Court Street NE
Salem, OR 97301

Mayor
Keith Mays

Council President
Tim Rosener

Councilors
Renee Brouse
Sean Garland
Russell Griffin
Doug Scott
Kim Young

City Manager
Joseph Gall, ICMA-CM

Chair Smith-Warner, Vice-Chairs Drazan and Holvey, and Members of the committee:

For the record, my name is Tim Rosener; I am the City Council President, here on behalf of the City of Sherwood. We are opposed to SB 493 and urge the committee to amend the language to prevent unintended consequences witnessed after similar legislation was enacted in Washington State.

A recent report "[The Impact of Oregon's Prevailing Wage Rate Law: Effects on Costs, Training, and Economic Development](#)" published on January of 2021 from the University of Oregon Labor Education and Research Center and Illinois Economic Policy Institute, explains that legislation, like SB 493, would result in about \$100M in additional wages for construction workers in Oregon.

These wage increases will go to those already paid prevailing wages, which are on average between 20-57\$ an hour, and in Oregon according to the same study only 4.3% of construction industry is made up of women, so over 95% of the beneficiaries of these wage increases will be male.

That is a significant amount of money that will be paid out from taxpayers/ratepayers by local governments. We hope the legislature is not taking this lightly as we examine all the great needs around the state and limited resources to address them.

[According to a study commissioned by OHCS](#) (Oregon Housing and Community Services) in 2019, current "Prevailing wage requirements add to the development cost of affordable housing, with projects that pay prevailing wages costing nine percent more on average after controlling for other project characteristics." We believe, if passed as is, this legislation will increase the costs of affordable housing projects subject to prevailing wage by approximately 9.8% according to data put together [by ECO Northwest](#).

System development charges or SDCs, are the fees levied by local governments on new residential and commercial development to pay for the water, sewer, parks, and transportation infrastructure needed for the expansion and to keep the community livable and thriving. This legislation will increase system development charges or SDCs, because all of those infrastructure projects over \$50,000 require

prevailing wage. According to the 2019 OHCS commissioned study mentioned above, “Since the year 2000, the average costs associated with local System Development Charges (SDCs) have grown almost three times as fast as the overall costs of developing affordable housing.” In the interim and earlier this year the legislature was looking at how to address these rising costs of SDCs, by passing this legislation will only exacerbate the increased costs of SDCs, by increasing prevailing wage rates to match the highest CBA rate in a given region.

Construction costs are already growing. To give you a local example, in 2013 Sherwood began work on Cedar Creek Trail. Then the trail was planned to be 1.58 miles long and the construction cost was estimated to be \$3.4 million. The 2021 cost came in at \$3.8 million for the construction cost of .98 of a mile. That means the construction costs were now 1.8 times what they were in 2013, almost doubled in just 8 years. We fear this bill will continue to increase construction costs and that this could put some projects in peril if the additional gap in funding is not available.

Please remember, that cities and counties have significant limitations on how capital projects are funded and are already behind in keeping up with infrastructure needs and improvements. This bill in its current form puts an added cost burden on cities that are already finding it extremely difficult to fund needed infrastructure and housing projects. The current law and the proposed legislation require cities to absorb costs with no mechanism to pay for those additional costs.

We understand that the study may not be the best way to decide prevailing wages, but we do not believe increasing to the highest CBA, costing an additional \$100M a year is the right fix either. We'd appreciate more thoughtful dialogue with all the parties at the table to hash out a solution that can strike a balance to work for everyone.

If the Legislature insists on moving forward with this bill, we want to urge the Legislature to learn from the unintended impacts of an almost identical law enacted in Washington state in 2018 that is now being contested in court. In Washington, the enactment of the SB 5493 led to affordable housing projects being threatened and significant wage spikes for select occupations in certain areas of the state.

We hope you will consider making the following changes to minimize unintended outcomes:

First, like LOC, we ask that the definition of a bona fide CBA be included in the legislation so that it can be used for wage rate determination, in order to ensure that the CBA is not reflective of a singular specialized project.

Second, we'd prefer to see an averaging of bona fide CBA's used to determine the prevailing wage rates for a region, instead of using only the highest wage rates of one CBA, which is what is currently included in the bill.

Third, we'd appreciate a later implementation timeframe, so that we can evaluate the impacts further and not have the unintended consequence of impacting projects that are already underway or planned for the near future.

Last, there should be language included that triggers additional review and data gathering by the BOLI Commissioner if a wage rate for a non-licensed trade increases by more than 15% over the most recent wage determination. This can help control some of those run-away wage spikes. Like the one in Washington, where “landscape construction” wage rates went from \$14.15 to \$59.49 after the adoption of their similar law.

I appreciate your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read 'Tim Rosener', with a long horizontal flourish extending to the right.

Tim Rosener
City Council President
City of Sherwood