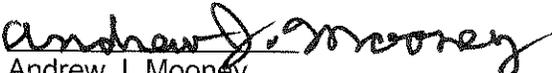




DEPARTMENT OF HOUSING AND ECONOMIC DEVELOPMENT  
CITY OF CHICAGO

To: Joseph M. Ferguson  
Inspector General

From:   
Andrew J. Mooney  
Commissioner of HED

Date: August 2, 2013

Re: HED Response regarding Monitoring of the Local Hiring Ordinance

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Monitoring of Local Hiring Ordinance 2-92-330

The Department of Housing and Economic Development (HED) has been monitoring for Local Hiring Compliance on housing and economic development projects since the ordinance's inception. Projects which are monitored include federally assisted and non-federally assisted multi-family housing projects, TIF funded projects, land sales and any other city assisted projects having a contract value of \$100,000 or more.

HED monitors the Local Hiring Ordinance by the submittal of certified payrolls which are required for all contractors and sub-contractors who perform construction work on a particular job site. Compliance staff also makes periodic site visits and interviews workers who are on-site at the time of the unannounced visits.

Further, developers and general contractors are required to attend a Monitoring and Compliance meeting with HED staff before a redevelopment agreement is signed and before construction begins on a given project. HED staff explains various monitoring activities, including Local Hiring, wages, MBE/WBE participation, Section 3, job creation and long-term housing affordability requirements. Developers and general contractors are required to initial a compliance check list next to each applicable subject discussed, and to sign the checklist. This checklist provides the auditing staff with documentation that a meeting was held, and a record of what was discussed. The auditor who is assigned the project then sends a letter to the developer and general contractor to memorialize the meeting and reiterate what was discussed. A copy of this letter is presented to the Department of Law before any Redevelopment Agreement or Land Sale is presented to City Council for approval.

Developers and general contractors are also presented with a Monitoring and Compliance packet at this meeting. The Monitoring and Compliance packet consists of a term sheet explaining the Local Hiring Ordinance, a copy of the Local Hiring Ordinance, and a sample of Liquidated Damages Assessment with an explanation of penalties for non-compliance. In the past, a verbal explanation was given to the developers and contractors regarding the need of a driver's license or state identification card to be used as validation of a local address where a worker's address on the certified payroll was listed as a post office box. Also, a verbal reminder was given that full addresses must be reviewed as opposed to just zip codes when doing verification. Now, these important points of clarification have been put in writing and are included in the compliance packet.

As part of the monitoring of certified payrolls, the auditor issues a letter on a quarterly basis to the developers and general contractors outlining any deficiencies on payrolls already received. The letter includes a matrix for each contractor and sub-contractor showing the number of hours worked by City of Chicago residents and non-City residents. This matrix provides developers and general Contractors an up-to-date computation to track these hours.

HED policy is that no project, regardless of type, will be issued a compliance closeout letter until any and all liquidated damages are paid. This includes all liquidated damages assessed for non-compliance with Local Hiring.

#### Collection of Local Hiring Liquidated Damages

HED tracks the collection of Liquidated Damages based on non-compliance with the Local Hiring Ordinance. The following is a brief summary of local hiring collection for the last few years:

	Project Closeouts Paying Restitution		
2010	33 Projects	\$1,137,769.63	Assessed
		\$1,116,219.63	Collected
2011	10 Projects	\$ 490,926.16	Assessed and Collected
2012	24 Projects	\$ 756,240.32	Assessed and Collected
2013 to date	16 Projects	\$ 480,307.64	Assessed
		\$ 473,093.29	Collected

The amount assessed means a letter has gone out requesting payment. The amount collected means funds were received. There is one outlier open claim for damages from 2010 where the business owner's whereabouts are unknown. In 2013 there are two claims for liquidated damages that have been made in the last ten days where payment has not yet been received. Please note that collections vary on an annual basis and are dependent on the number of projects which close in a given year. Since 2010 there has been a great increase in the number of projects that are in compliance and have met the Local Hiring requirements in large part due

to DHED's, education, monitoring and collection efforts, and thus the amount collected in fines has decreased.

We are concerned and troubled regarding the findings associated with the Parkside Nine Project and Subcontractor "A". As this response indicates, HED takes the monitoring responsibilities seriously and has attempted to monitor the Local Hiring Ordinance diligently as evidenced by the number of projects which have paid Liquidated Damages and the amounts that have been collected. Although only one project, Parkside Nine was audited, HED is concerned that the verification of employee residency was not adequately documented and reported by Subcontractor "A". It is mentioned in the Monitoring and Compliance meetings that falsification of information given on payrolls submitted is a Class A misdemeanor. In future meetings this will be stressed by additional emphasis.

HED will work with our sister departments in promulgating policies and procedures regarding the joint responsibilities for ensuring compliance with the Local Hiring Ordinance. This would include the establishment of rules and regulations mandating that all contractors and subcontractors obtain specific verifiable identification documentation from their employees as a condition of obtaining credit for complying with the ordinance. More importantly, HED will develop a plan on how to perform on site spot check reviews of the information mandated for compliance given the current staff constraints.

HED respectfully requests that, at the appropriate time, the identity of Subcontractor "A" be given to the Monitoring and Compliance division so that appropriate action may be taken regarding any other projects that Subcontractor "A" might currently be involved in or has been involved in.