MEMORANDUM

To: Mayor and Council

From: Anthony J. Snipes, Interim Assistant City Manager AJS

Date: January 11, 2013

Subject: Prevailing Wage and the Marriott Marquis Hotel

As you recall, Council passed an ordinance on June 29, 2011 waiving certain development fees in an amount not to exceed $3.8M as well as authorized the City Manager to negotiate and execute an agreement related to wastewater lines in an amount not to exceed $500,000. Included in this ordinance was the requirement to comply with the principles and standards of the City's MBE/WBE regulations and the City's prevailing wage policy during the construction phase of the hotel. The ordinance stipulates compliance with the above – failure to do so would result in White Lodging reimbursing the City for any portion of the fee waivers that have been used and that remaining unused fee waivers would expire.

In discussions with White Lodging representatives in September 2012, we discovered that a City of Austin staff member provided direction and approval to White Lodging that was contrary to the ordinance passed by Council. This direction may have caused confusion with White Lodging and lead them to believe that they could pay less than the City's published prevailing wage scale for certain trades/job classifications. The ordinance passed by Council is very clear on requiring White Lodging to pay prevailing wages.

Since that time, we have been working toward a meeting with the White Lodging representatives to discuss and remedy this issue. We will proceed with reviewing the

construction activities to ascertain whether White Lodging is in compliance with the requirements of the approved Ordinance.

In the last few days, we became aware of a potential prevailing wage complaint regarding the construction activities occurring at the Marriott Marquis Hotel (being developed by White Lodging). Specifically, concerns were raised by the Electrical Union regarding the payment of prevailing wage to electrical workers. This complaint reinforced our concerns regarding non-compliant activities occurring at the jobsite.

Staff will immediately initiate a wage audit consistent with the standard practices in place for construction contracting at the City of Austin. The Contract Management Department will contact White Lodging and the construction team to initiate a full wage audit for all activities that have taken place since construction began in the fall of 2012. Additionally, staff from the Small and Minority Business Resources Department will continue to monitor the project for compliance with the principles and standards of the City's MBE/WBE regulations as required.

We take adherence to our prevailing wage requirements very seriously and will diligently follow up on the concerns that have been raised. We will continue to keep you apprised as to the status and outcomes of this investigation.

xc: Marc A. Ott, City Manager
Michael McDonald, Deputy City Manager
Ray Baray, Interim Chief of Staff
Rosie Truelove, Director, Contract Management
Veronica Lara, Director, Small & Minority Business Resources