



U.S. Department
of Transportation

Federal Highway
Administration

Memorandum

Subject: **ACTION:** District of Columbia Local
Labor Hiring Pilot Program (LLHPP) under
Special Experimental Project No. 14 (SEP-
14)

Date: January 17, 2017

From: /S/ Peter J. Stephanos
Director, Office of Program Administration

In Reply Refer To:
HIPA-30

To: Christopher Lawson
Division Administrator
Washington, DC

This is on reference to the November 17, 2016 email from Vinh Hoang of your office which forwarded the District (of Columbia) Department of Transportation's (DDOT's) SEP-14 Application (workplan): Locally-Based Hiring Preferences on the Interstate 295 (I-295) / Malcolm X Interchange Improvement Project, dated November 8. The DDOT application is being advanced in response to the pilot [Contracting Initiative](#) announced by the U.S. Department of Transportation in a Federal Register Notice on March 6, 2015, intended to promote innovative contracting practices.

The Department of Homeland Security (DHS) is consolidating its National Capital Region headquarters at the St. Elizabeth's West Campus. The General Services Administration (GSA) is responsible for implementation of the campus consolidation, which includes improvements to the Interstate 295 (I-295) / Malcolm X Avenue SE Interchange. The primary goal of the proposed project is to enhance access between I-295 and St. Elizabeth's West Campus.

The project is entirely funded by GSA funds. FHWA is administering the project on behalf of GSA under the authority of 23 U.S.C. 308(a), and GSA and FHWA have entered into an Inter-Agency Agreement under which GSA will transfer its funding to FHWA. DDOT will award the contract in compliance with title 23 and applicable Federal requirements and policies, including the LLHPP.

DDOT will include the following LLHPP contract provisions:

- At least 51% of all new jobs created on the Project (new hires) are to be performed by residents of the District of Columbia; and
- For all training and apprenticeship positions identified, at least 51% of the participants are residents of the District of Columbia.

For the purpose of this contract provision, “new hire” is defined as an individual who has never worked for the organization or has been separated by the organization for more than 90 consecutive days.

FHWA approves the proposed use of geographic labor hiring preference and veterans hiring preference provisions on a Federal-aid project under the experimental authorities of [23 U.S.C. 502](#) and SEP-14.

The workplan is approved, subject to the following conditions:

1. We recommend that DDOT modify the text in Section 6. Evaluation as follows:

DDOT will evaluate the effects of relevant contracting requirements on competitive bidding. In doing so, DDOT will provide comparisons of bids received for the projects utilizing the relevant contract requirements to other projects of similar size and scope and in the same geographic area not utilizing such requirements. If a reduction in the pool of bidders is evident, DDOT will explain the potential offsetting benefits resulting from the use of the requirement.

DDOT will track and analyze data and the success of the contractor in achieving the established goals to evaluate quantitatively, the effects of using local hiring preferences on competitive bidding and improve utilization of the local labor pool using the following criteria:

- The number of bidders (including the location of the home office) - An explanation will be provided for the apparent increase or decrease in the average number of bidders. Specific competitive reasons (e.g. other bidding opportunities, apparent risk, etc.) will be provided for the increase / decrease in competition. Projects of similar scope will be used as a baseline, and will be identified in the Initial Report and the Final Report. The evaluation will discuss the impact on the number of bids received from local and non- local firms.
- A comparison of the impact of the LLHP requirement on the workforce will be made by comparing the percentage of total local labor hours on the pilot program with the percentage typically achieved on a similar Federal-aid project that did not use the LLHP provision. An explanation of any significant differences will be provided. Additionally; DDOT will collect the following information:
 - The total number of jobs to be created by the project (on all tiers);
 - Demographics and geographical information of total new hires, including veterans;

- The type of jobs or job categories;
- Length of employment;
- The total training hours;
- The total number of DC residents hired by job category; and
- Terminations.

2. We recommend that DDOT delete the first paragraph in Section 6.1 Effectiveness and Efficiency Use of Federal Funding for the Project and replace with the following:

Describe and quantify how the proposed contracting requirement would lead to increases in the effectiveness and efficiency of Federal funding for the project.

DDOT will conduct an analysis of the effectiveness and efficiency of the LLHP requirement using the following information:

- A comparison of unit bid prices - An evaluation of the unit prices for five bid items with the highest total value on the pilot project will be compared to unit prices for projects with a similar size and scope. These projects will be used as a baseline, and will be identified in the Initial Report and the Final Report.
- The prime contractor will be interviewed at the conclusion of the contract to obtain its opinion of the effectiveness and efficiency of the LLHP provision on its construction operations and to discuss any potential concerns or recommendations for the program. This will provide one measure of the relative efficiency of the contractor in meeting the contract requirements.
- Provide an evaluation of the net economic benefit of employing additional DC residents by analyzing the potential monetary benefits that might be related to the receipt of funds from other federally assisted programs (e.g. reductions in the DC unemployment rolls, payments for uninsured health insurance costs, etc.). The economic analysis will address the extent to which other Federal funds may be impacted by reducing unemployment in the DC workforce.
- Provide an evaluation of the potential increase in the pool of skilled labor available to all contractors.

3. We recommend that DDOT add the following to the first paragraph of Section 8, Reporting:

Collect all data and information as required by Paragraphs 1 and 2 of this FHWA Approval Memorandum.

4. DDOT must provide an affirmative certification in accordance with Section 192 of Title I, Division L of the Consolidated Appropriations Act, 2016 (the Department of

Transportation Appropriations Act, 2016), “the FY 2016 Appropriations Act.”. This can be done either by amending the SEP-14 workplan or by submitting a separate cover letter.

Thank you for the opportunity to review this SEP-14 request. If you have any questions, please contact Gerald Yakowenko at Gerald.Yakowenko@dot.gov or (202)366-1562 or John Huyer at John.Huyer@dot.gov or (651)291-6111