



March 31, 2020

Mayor Emily Larson; City Councilmembers
City Hall, Room 403
411 West First Street
Duluth, MN 55802

Dear Mayor Larson, Council President Anderson, and Councilmembers,

The Associated Builders and Contractors of MN/ND represents 350 construction-related companies, primarily general and specialty contractors who build both public and private projects throughout the state. These members build schools, critical infrastructure, multi-family housing, retail, and much more. These companies employ over 22,000 professionals across our chapter's area. Our members are regularly recognized by their peers as being the best of the area's construction industry. ABC's industry-leading partnership with MN-OSHA also allows our members to implement the latest safety best practices on their jobsites.

We were disappointed when the city council adopted in 2018 a mandate that all construction within the city that received financial assistance must have a union-only project labor agreement (PLA). These discriminatory agreements prohibit Duluth contractors and their craft professionals from bidding and winning construction contracts if they choose not to join a union. According to the latest Bureau of Labor Statistics data, 80% of all Minnesota construction professionals choose to work for merit shop contractors like our members. Discriminating against these Minnesotans using a government-mandated PLA is the last thing a city should be doing, especially with the workforce shortage in the construction industry today.

PLAs are almost exclusively written by attorneys who represent the building trades unions. A PLA is often portrayed as a way to ensure labor harmony and avoid project stoppages. While there may be some merit to those claims, a PLA cannot guarantee a project be done on time, be done safely, or that local workers be employed. Advocates also claim that PLAs allow an open bidding process, but when merit shop companies dig into what's actually contained in the agreement, a much different set of facts emerges. PLAs make it virtually impossible for merit shop contractors to bid on and use their existing workforce on the project. There are additional costs merit shop contractors must pay according to the PLA that go directly into union-administered funds from which the contractor and its workforce will never receive a benefit.

With fewer contractors competing for these PLA-saddled construction projects, costs are guaranteed to rise and can even cause a project to not go forward. This past week, we saw that scenario play out. With the news that Costco withdrew from its purchase agreement and decided not to build in Duluth, it came as no shock to read in the Duluth News Tribune's March 27th article that the PLA was a sticking point for Costco to move forward with the development. The city of Cloquet also had its PLA ordinance stifle several projects in recent years, including the development of apartments near Fond du Lac Tribal and Community College.

Mandating PLAs on private construction projects, even with the presence of subsidies or tax incentives, is the exception - not the rule - throughout Minnesota cities and counties. We are sorry to see Duluth lose a great employer and community staple with Costco looking elsewhere to build. We strongly encourage the city council to reconsider its PLA ordinance so that *all* Duluth area contractors and craft professionals, including those who are ABC members, can have a fair chance at bidding and working on future construction projects.

Sincerely,

A handwritten signature in cursive script, appearing to read "Adam Hanson".

Adam Hanson

Director of Government Affairs

Associated Builders and Contractors MN/ND