



NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING

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MEMORANDUM OF OPPOSITION

S.2893/A.2472

The New York State Association for Affordable Housing (NYSFAH) strongly opposes S.2893/A.2472, which would impose prevailing wage mandates on the construction of affordable housing projects that receive 421-a tax exemption benefits. The 421-a tax-exemption is essential to affordable housing development in New York City. Studies show requiring the payment of prevailing wages would increase development costs by 20% to 50%. These additional costs would offset the incentive from the 421-a tax exemption to construct affordable housing, thereby cutting the number of affordable housing units by as much as 50% in New York City. (Citizens Housing & Planning Council, 2008; Center for Governmental Research, 2008) As a result, the people most affected by this new wage mandate would be the middle- and lower-income families who rely on the availability of affordable housing.

Specifically, S.2893/A.2472 would require the payment of prevailing wages for the construction of housing projects with more than 80 units, or where less than 50% of the units are affordable to 125% of the Area Median Income (AMI) - too many critical, larger affordable housing projects in New York City would either not move forward or would require significant more public subsidy that does not exist in the current economic climate. **Examples of projects that would be subject to prevailing wage under S.2893/A.2472 include but are not limited to:**

- A 125 unit affordable housing project on West 139th Street in Harlem, with: 6 units affordable to 40% AMI; 32 units affordable to 60% AMI; and 86 units affordable to 130% AMI. Given the project's financing, under the prevailing wage mandate proposed in S.2893/A.2472, this project would not have been built.
- A 200 unit affordable housing project on DeKalb Avenue in Brooklyn, with: 40 units affordable to 50% AMI; and 160 units affordable to 130% AMI. Prevailing wage, as proposed in S.2893/A.2472, would raise costs by \$14 million, increasing the per unit cost from \$296,000 to \$365,000, requiring an additional 23% public subsidy per unit.
- A 101 unit affordable housing project on Vanderbilt Avenue in Brooklyn, with: 75% of the units affordable to 130% AMI; and 25% market rate. This project is a phase of the Navy Green development, and is eligible for NYS Affordable Housing Corporation funding. Requiring prevailing wage would add far more cost than this subsidy could provide, and would require making the project less affordable to be financially feasible.
- A 110 unit affordable housing project on East 119th Street with: 44 of the units affordable to 110% AMI; 62 units affordable to 130% AMI; and 4 units affordable to 250% AMI. Given the project's financing, under the prevailing wage mandate proposed in S.2893/A.2472, this project could not have been built.

- A 185 unit affordable housing project on East 124th Street with: 6 units affordable to 40% AMI; 31 units affordable to 50% AMI; 55 units affordable to 130% AMI; and 95 market rate units. This project was part of the 125th Street corridor rezoning.
- A 168 unit affordable housing project on West 25th Street in Manhattan, with: 20% of units affordable to 60% AMI; 12% affordable to 125% AMI; 34% affordable to 165% AMI; and 34 affordable to 195% AMI. Given the project’s financing, under the prevailing wage mandate proposed in S.2893/A.2472, this project could not have been built.
- A 116 unit affordable housing project on West 117th Street in Harlem, with: 4 units affordable to 40% AMI; 4 affordable to 50% AMI; 89 affordable to 175% AMI; and 8 market rate. This project helped catalyze redevelopment of the Frederick Douglass Boulevard corridor, and would not have been built given the project’s financing, were the prevailing wage mandate proposed in S.2893/A.2472 in effect.

The 2008 Citizens Housing & Planning Council (CHPC) report, *Prevailing Wisdom*, furthermore found:

- Imposing prevailing wage would be less likely to benefit black and Latino construction workers, and could even cost many of them their jobs, since minorities are disproportionately underrepresented in unionized construction, and higher wage union workers are disproportionately white.
- Affordable housing construction is safer than other residential construction, either union or non-union
- Affordable housing developers are closely monitored by government agencies, lenders, and investors

The CHPC report also found that affordable housing developers are already paying a reasonable wage. **Prevailing wage rates are set far above the market wage rate, in some cases near double the median wage for New York City, in addition to extraordinarily high benefit rates.** According to the New York State Department of Labor, the median and prevailing wage rates for New York City are:

NYC	Median Wage	Prevailing Wage Salary	Prevailing Wage Benefits	Prevailing Wage Salary & Benefits
Carpenter	\$57,140.00 (27.47/hr)	\$95,992.00 (46.15/hr)	\$71,884.00 (34.56/hr)	\$167,876 (80.71/hr)
Electrician	\$84,750.00 (40.74/hr)	\$101,920.00 (49.00/hr)	\$84,032.00 (40.40/hr)	\$185,952 (89.40/hr)
Plumber	\$58,830.00 (28.28/hr)	\$106,828.00 (51.36/hr)	\$63,939.00 (30.74/hr)	\$170,767 (82.1/hr)

Occupational wage statistics provided by NYSDOL website. Annual prevailing wage and benefit earnings calculated by multiplying hourly wage and benefit payment required by 2080 (40 hours/week x 52 weeks)

For the above reasons, NYSAFAH strongly opposes the prevailing wage mandates on 421-a tax exempt projects, as proposed in S.2893/A.2472, particularly for those subject to an affordable housing regulatory agreement. If you have any questions, please call Alison Badgett, Executive Director, at 646-473-1208.

NYSAFAH is the trade association for New York State’s affordable housing industry, with 300 members statewide, including developers, lenders, investors, architects, attorneys, and others active in the development, financing and management of affordable housing. Together, NYSAFAH members are responsible for virtually all of the housing built with city, state, or federal subsidies in New York.

March 7, 2011