



**NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING**

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## **MEMORANDUM OF OPPOSITION S.1947 (Ramos)/A.1261 (Bronson)**

The New York State Association for Affordable Housing (NYSFAH) strongly opposes S.1947/A.1261, which would mandate the payment of prevailing wages to construction workers who build private projects that receive any public benefits or incentives. This bill would require the payment of substantially higher wages for the construction of affordable housing projects and result in fewer affordable units being built.

Studies show requiring the payment of prevailing wages would increase construction costs by 20 percent to 50 percent. These additional costs would offset or exceed any public financial assistance incentives to construct affordable housing, thereby reducing the number of affordable housing units to be built by as much as 50 percent.

New York State cannot forego any affordable housing development as it is in the midst of a housing crisis with more than 3 million households across our state exceeding the “affordability threshold” for housing; as they pay 30 percent or more of their household income for housing costs. Of this population, more than 1.5 million households paid a staggering 50 percent or more of their income for housing. In 2017, the Senate and the Assembly joined with Governor Andrew Cuomo to make a landmark commitment of \$2.5 billion in public subsidies for a five-year housing plan that will create 100,000 units of housing and help address this crisis. However, mandating prevailing wage payments on housing projects would weaken that historic appropriation and diminish our ability to address the housing crisis.

There would also be a negative impact to hardworking people. Because the payment of prevailing wages is administratively complex and penalties for violations are severe, many small contractors, including many Minority and Women-Owned Businesses (MWBs), will not participate on projects with prevailing wage mandates and will lose out on this critical work as a result. Further, prevailing wage projects tend to cut out the local, non-union workforce, thereby depriving local workers of steady, good paying jobs.

The legislation purports to address the concern of the impact upon affordable housing by providing an exemption from the prevailing wage mandate for the construction work on multiple dwellings where 75 percent of the residential units in the building are affordable for households up to 60 percent of the area median income (AMI). While we appreciate the sponsors’ apparent intent to protect affordable housing from this costly and detrimental wage mandate, the criteria established in the bill is unworkable since affordable housing projects built today have a more diverse mix of low-income, middle-income and market rate units. The mixed-income model is the accepted and preferred standard by government housing agencies and our industry since it ensures the long-term financial sustainability of the building and promotes a more equitable socio-economic community, with better services (i.e., healthcare facilities, retail stores, and jobs), schools and public safety.

To ensure we maintain the ability to furnish those most in need with good, quality affordable housing, using the most efficient processes and subsidy allocations, we recommend changes to Section 2 of the bill to modify clause (C) of subparagraph (iv) of new paragraph m, regarding exemption language for affordable housing projects (strike through language is proposed to be removed from the current bill language, and the **bold** language is NYSFAFH's proposed additions):

(C) Construction work performed on a multiple family dwelling where no less than ~~seventy-five~~ **thirty-five** percent of the residential units are affordable for households up to sixty percent of the area median income, adjusted for family size, as calculated by the United State department of housing and urban development, and fall under **are undertaken pursuant to a government-sponsored regulatory agreement**, provided however, that **including** any construction performed on non-residential space in connection with a multiples dwelling project shall be considered public work if it meets any of the criteria in this paragraph **in a multiple dwelling provided for in this clause**. Further, any construction work performed on a project eligible for benefits under section four hundred twenty-one-a of the real property tax law shall not be considered public work for the purposes of this article.

For these reasons, we strongly urge the Legislature to reject S.1947/A.1261 and any prevailing wage mandate proposals which raise costs for affordable housing projects. For more information regarding this bill, please contact: Jim Walsh, Manatt, Phelps & Phillips, LLP, at (518) 431-6717 or Jolie Milstein, NYSFAFH President and CEO, at (646) 473-1208.

*Formed in 1998, NYSFAFH is the trade association for New York's affordable housing industry statewide. NYSFAFH's 375 members include for-profit and nonprofit developers, lenders, investors, attorneys, architects and others active in the financing, construction, and operation of affordable housing. Together, NYSFAFH's members are responsible for most of the housing built in New York State with federal, state and local subsidies and incentives.*