

VOTE FOR AFFORDABLE HOUSING AND AGAINST PREVAILING WAGES

Letter No. 1

We in the affordable housing community are opposed to the prevailing wage legislation that is being considered by the New York State Legislature.

This legislation proposes a radical change in New York's Labor Law that has been in force since 1947. It would require that privately-owned and developed affordable housing projects be treated as "public works" – a term that has always meant bridges, roads and the like. In other words, *any* affordable housing that uses tax incentives or low-interest loans would pay prevailing wages.

Assembly A-3705 (and companion Senate S-4912) is a general labor bill requiring prevailing wages on all projects receiving government subsidy. The Assembly Labor Committee and the Senate Codes Committee are scheduled to hold hearings on these bills tomorrow, Tuesday June 2, 2009, and are likely to vote the bill out to the Assembly Codes Committee and the Senate Finance Committee, respectively.

The J-51 program in New York City provides an example of a program which would be captured by the terms of this legislation. The J-51 program, in place since the 1960's, provides a partial real property tax exemption to encourage renovation of multi family residential properties. It has stimulated tens of thousands of apartment rehabilitations and hundreds of millions of construction dollars. The requirement that prevailing wages be paid when J-51 benefits would be used would result in this program becoming irrelevant.

SONYMA mortgage financing for single family homes would also be subject to the requirement of prevailing wages under this legislation. A home buyer obtaining a first time SONYMA mortgage for a new home would be required to pay prevailing wages for the construction of that new home.

The other piece of legislation pending in the Assembly A-3659 which, though focused on IDAs, contains a clause requiring paying prevailing wages on construction or renovation projects, including affordable housing. Nearly 4,000 units of affordable housing have been financed through IDA action.

Here are the facts:

- **Paying prevailing wages increases the cost of construction by 25% -- or else cuts housing production in half.** To offset this cost, the present level of government subsidies would have to be increased by 50 percent. This is highly unlikely at a time when government agencies are being forced to cut subsidy programs.
- **Paying prevailing wages will cut the number of subsidized housing starts by half.** Because increased subsidies are not likely to happen, housing production instead will fall precipitously to half the present level. And, at a time when job opportunities should be generated, construction jobs also would be lost.
- **Paying prevailing wages will displace small local contractors and employees who typically do smaller jobs in their communities.** Neighborhood employees, many of whom are minorities, will lose their jobs.
- **Paying prevailing wages will effectively increase rents. An apartment that was affordable to a family with a household income of \$35,000 would now be rented to a family with an income no less than \$51,000.** These income requirements would exclude the working families for whom the housing is created in the first place. School

teachers, police officers, firefighters and single-parent households are among those who would be hurt the most.

In summary, "Our main conclusion is that imposing prevailing wages on the affordable housing industry reduces the amount and affordability of subsidized housing." *Citizens Housing and Planning Council report, "Prevailing Wisdom."*

Group In Formation:

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NYS Association for Affordable Housing (NYSFAFH)

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LISC New York City

Denise Scott, *Managing Director*

New York Housing Conference

Judith Calogero, *CEO*

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Housing Partnership Development Corporation

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Dunn Development Corp.

Martin Dunn, *President*

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