

PREVAILING WAGE IMPACT ON AFFORDABLE HOUSING

A new requirement for prevailing wages on construction projects would significantly impact affordable housing production in New York City. The NYC Independent Budget Office estimates in a 2016 report that the average total construction costs for a project requiring prevailing wages is 23% higher than a project where prevailing wages are not required. Prevailing wages add about 28% to hard costs, driving up wages and associated costs. Additional subsidy is required with any new prevailing wage requirement or fewer affordable units will be built.

Cost Impact and Affordable Units at Risk

New York City invests about \$800 million in capital subsidies for affordable housing annually, which leverages additional private and public funding to develop and preserve about 25,000 units each year. Since there is no associated budget increase with either of the proposals circulating in the State legislature, a new prevailing wage requirement will force a difficult trade-off between higher wages for some construction workers or fewer affordable housing units produced annually. **A1261/S1947 would more than double the need for capital subsidies OR cut production by almost 40%.**

| State Bill | Annual Impact of New Prevailing Wage Requirement* | |
|--|---|---------------|
| | Cost Increase | At-Risk Units |
| A1261/S1947-Bronson/Ramos <ul style="list-style-type: none"> Prevailing wages for all construction workers on City-funded development projects, with the exception of housing where 75%+ of building is 60% or below AMI | \$875 million | 9,250 |
| A1915/S1948-Crespo/Ramos <ul style="list-style-type: none"> Prevailing wages for all construction workers on City-funded development projects financed by HDC or EDC and also on projects with 300+ units or \$15m public subsidy, or sale of City-owned property/air rights | \$663 million | 6,875 |

*Based on an estimated 28% increase of hard costs applied to affordable housing production in NYC.

Existing Community Hiring Goals

While most affordable housing is built without prevailing wage rates in New York City, there are other hiring and contracting requirements which are important to communities.

- **HireNYC Program-** Affordable housing projects receiving \$2 million or more in City subsidy require developers, contractors and sub-contractors to post open construction positions and to consider qualified Workforce1 candidates. Job opportunities are created for low-income workers in communities where affordable housing is being built.
- **M/WBE Program-** Developers/borrowers must spend at least a quarter of HPD/HDC-supported costs on certified M/WBEs over the course of design and construction of certain HPD/HDC-subsidized projects. M/WBE contracting requirements ensures inclusivity and wealth-building opportunities for minority and women-owned businesses.

Legislative Proposal to Exclude Affordable Housing

Given the need for affordable housing and the extraordinary cost impact of a new prevailing wage requirement, **expansion of prevailing wages should not apply to new construction or preservation of residential housing with regulatory agreements that require at least 35% of the units to be affordable.**