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State expands prevailing wage to include private projects

By DAVID WINZELBERG

New York State has expanded prevailing wage requirements to include many private construction projects, a move praised by labor unions and criticized by developers and business trade organizations.

State law had already required that workers on public projects be paid prevailing wages, but the new law extends that mandate to public/private partnerships and private developments over \$5 million that get tax breaks or economic incentives from industrial development agencies of more than 30 percent of a project's cost.

The law, tucked into the budget bill that was passed by the state legislature late Wednesday and Thursday, goes into effect on Jan. 1, 2022. Opponents say it will severely impact economic development, especially when it comes to creating new multifamily housing, since most of those projects rely on IDA and other public incentives to get built.

"At a time when we are entering the worst economic crisis facing New York in decades, the Long Island economic development community is deeply concerned with the adverse impact this prevailing wage legislation will have on our region and state," said Kyle Strober, executive director of the Association for a Better Long Island. "Now more than ever, the development community needs to play a pivotal role in restarting the region's economic engine, this legislation creates additional uncertainty among investors, potentially stymying our region's long term need of transit-oriented developments and affordable housing projects."

The new law does have an exemption for housing developments where at least 25 percent of the units are affordable and as long as there is a regulatory agreement with a state or municipality and housing nonprofits.

Other exempted projects include solar installations under 5 megawatts, brownfields redevelopment, sewage treatment and developments where there is a project labor agreement with organized labor.

Unions leaders hailed the prevailing wage expansion.

"This is a perfect synch to the economic recovery that we're facing," said Matthew Aracich, president of the Nassau Suffolk Building and Construction Trades Council, which represents nearly 65,000 union members and 37 affiliated labor organizations. "Like I continue to say, economic recovery begins at home and what better way than to use local workers who are paid prevailing wage to accelerate the speed of the recovery."



AP Photo/Keith Srakocic

It's not yet known what portion of new developments will be affected by the prevailing wage expansion, but Aracich said that it would have identified about \$5 billion worth of work over the last few years.

Developers, who fought a long battle against expanding prevailing wage to private projects, say the new law will have a devastating impact on the region's economic growth and add at least 30 percent to the cost of developments.

"It's very disappointing and doesn't make sense to add a provision that will decrease the supply of future housing," said Robert Coughlan, a principal of East Setauket-based Tritec Real Estate, one of Long Island's more prolific builders. "To address a housing problem by adding additional burdens to increase the supply of housing seems to fly in the face of logic."

Coughlan added that the extra costs of paying prevailing wages will ultimately be passed onto the public and make housing here even more expensive than it already is.

"It's a job-killing law," he said. "It will reduce construction and developers will take their business to other states."

However, labor officials called the prevailing wage expansion an important

achievement that's long overdue.

"It's a tremendous first step," said John Durso, president of the Long Island Federation of Labor AFL-CIO, which represents about 250,000 members on Long Island. "When public funds are being used by builders, it's only fair that they pay the prevailing wage."

Durso gave kudos for the new law to fellow labor leaders, including James Cahill, president of the New York State Building and Construction Trades Council; Gary LaBarbera, president of the Building and Construction Trades Council of Greater New York and Mario Cilento, president of the New York State AFL-CIO.

"They worked really hard on this for years," Durso said. "I also have to compliment Gov. Cuomo, because he's always been at the forefront of fighting for the working men and women of New York."

Aracich maintains that prevailing wage projects are "inherently safer to the workforce and the public," since training standards and protocols are set by both labor and management. He also said that prevailing wage acts as a stimulus package to the local economy. "Independent studies published prove that for \$1 spent on a

prevailing wage project, there is a return of \$1.50 in economic benefit," Aracich said.

Meanwhile, Mitch Pally, CEO of the Long Island Builders Institute, who lobbied against the prevailing wage expansion warned that the current climate didn't need an extra economic hardship.

"It took eight years for New York to recover from the 2008 mortgage crisis and while the effects of this legislation will not start for nearly two years, it will arrive at a time when the dark economic cloud of COVID-19 will still cast a large shadow over the region."

Strober added that the new legislation was conceived by organized labor, during prosperous times, to help fund their runaway benefits and pension costs.

"The world has changed rapidly and the economic future of New York, and the nation, hangs in the balance," Strober said. "It is critical that we recapture the confidence of the development community, which will be asked to invest hundreds of millions of dollars into our region, before we consider initiating any language that increases construction costs by 30 percent."

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