

# Long Island Business NEWS

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## COVERSTORY



Developers say proposed law requiring prevailing wages would be a business killer

Photo by David Winzelberg

By DAVID WINZELBERG

Long Island developers and business leaders are apoplectic over proposed state legislation that would require them to pay union wages on projects that receive any public funds, which they say will curtail growth and could have a chilling effect on the area's economy.

The bill, sponsored by Sen. Jessica Ramos, D-East Elmhurst and Assemblyman Harry Bronson, D-Rochester, would redefine public projects to include private projects that receive government incentives or any publicly funded financial assistance. It would also mandate that those projects pay prevailing wages according to a schedule set by the state's Department of Labor and labor union representatives.

Cheered on by union officials who have lobbied hard for the measure, the bill, opponents say, would add as much as 30 percent or more in higher labor costs to new real estate developments, construction of affordable housing and even



**KYLE STROBER: 'If the prevailing wage bill becomes law, economic growth will be slowed to a snail's pace.'**

renewable energy projects.

Though state law already requires that workers on public projects be paid

**'THE COST OF DOING BUSINESS ON LONG ISLAND IS ALREADY UNTENABLE. EXPANDING THE PREVAILING WAGE REQUIREMENT WILL MAKE IT EXPONENTIALLY WORSE.'**

prevailing wages, the proposed law would expand that mandate to public/private partnerships and private developments or businesses that get tax breaks or economic incentives from industrial development agencies for expansions and job creation.

"The most immediate impact is that it will bring economic development projects in the state to a screeching halt," said Bill Mannix, executive director of the Town of Islip Industrial Development Agency. "We can't afford that on the heels of losing Amazon."

A couple of other IDAs that implemented similar prevailing wage requirements had to reverse course because their deals dried up. The Ulster County

IDA scrapped its two-year-long prevailing wage experiment when developers stopped applying for incentives because of it. Just a year after the Yonkers IDA adopted a rule forcing developers that get incentives to sign project labor agreements with union contractors, the city cancelled it because its IDA went the entire year without a deal. The Yonkers mayor called the pilot program "a dismal failure."

Developers here are warning of dire consequences if the state adopts the proposed prevailing wage requirement. In a letter to Gov. Andrew Cuomo and members of the state legislature, Robert Coughlan, a principal of East Se-



**RONKONKOMA HUB:** Tritec principal Robert Coughlan said the project wouldn't have happened if a prevailing wage law was adopted.



**MITCH PALLY:** Expansion of prevailing wage requirements would be a death knell for multifamily housing development.



**TERRI ALESSI-MICELI:** The proposed bill would deliver a devastating blow to future economic growth in Suffolk County.

tauket-based Tritec Real Estate, said if the bill becomes law, his company would likely be forced to move to another state where it can afford to develop projects and employ its workforce.

Coughlan said if the law is enacted, Tritec, which already uses between 50 and 70 percent union contractors on its projects here, would have its construction costs increase by 35 to 40 percent. He said the firm, which is in the midst of building the \$700 million Ronkonkoma Hub redevelopment and a handful of other projects that are receiving IDA incentives, would have to increase monthly rents on its multifamily apartments by \$300 to \$500 a month if it's forced to pay prevailing wages.

"Once approved it will stop virtually all commercial projects," Coughlan told LIBN. "Think of all the people in the real estate supply chain whose jobs will be jeopardized; architects, engineers, lawyers, accountants, title companies, contractors, laborers, bankers, property managers, furniture stores, manufacturers, brokers, marketing companies, etc. It is clear that the legislature and organized

labor have not really thought through the unintended consequences this legislation is likely to have."

Similar bills have passed the Assembly over the last few years, but had always failed to clear the Senate. However, now that the Democrats control the majority in the Senate, observers say the legislation has a good chance of getting enacted this session.

Though there's little doubt that if the bill becomes law, the already high cost of doing business here will get even more expensive, union officials insist the new legislation is necessary to level the playing field between union and non-union contractors.

"It provides opportunities for the unorganized and a road to the middle class," said Matthew Aracich, president of the Building and Construction Trades Council of Nassau and Suffolk.

Aracich, who has been meeting with developers and local business leaders about the proposed law over the last few weeks, says it will act as an incentive for hiring union workers, since most are already making prevailing wages for their services.

"Overall, it enhances another measure of safety on construction projects, because we typically give more training than the non-union contracting companies," Aracich said.

One of the bill's co-sponsors, Sen. Monica Martinez, D-Hauppauge, said she has been communicating with IDAs in Suffolk County about the bill's potential impact. A former teacher, the freshman legislator says she is a "very strong supporter of labor, but also a strong supporter of business," and wants to hear from both sides about possible changes to the bill.

"I'm willing to sit down with all stakeholders to make sure they're not hurt by this bill," Martinez said. "The best way to govern is to bring everyone to the table."

Meanwhile, opponents of the bill are hoping it will be watered down or heavily

amended rather than passed as written.

"The expansion of prevailing wage requirements would be a death knell for both rental development on Long Island, either market rate or affordable, and the ability of the IDAs to provide incentives to manufacturing companies that want to come to Long Island," says Mitch Pally, CEO of the Long Island Builders Institute. "There's a very good chance it could pass this session. We're hoping there could be a carve-out that exempts Long Island from the restriction."

There is a carve-out in the bill that exempts multifamily projects where at least 75 percent of the units are affordable to people earning 60 percent or less than the area median income. However, developers say that exemption is too restrictive.

Peter Florey, president of LIBI and principal of D&F Development, which builds market-rate and affordable multifamily housing and assisted living facilities, says he is hoping that exemptions could be added for some IDAs or projects with a certain number of units. Florey also added that there is no language in the bill that precludes developments with project labor agreements from being required to pay prevailing wages.

"Let's hit the pause button on this. Let's look at the ramifications and not rush into it," Florey said. "Developers will pack up and leave and go work in another state. For economic development on Long Island, we could be looking at a real disaster."

Kyle Strober, executive director of the Association for a Better Long Island, agrees and said if the prevailing wage bill becomes law, economic growth will be slowed to a snail's pace.

"Either IDAs will be put out of business or IDA abatements will increase by 30 to 40 percent, to cover the increased costs, which will ultimately hurt the local school districts and taxpayers," Strober said. "The cost of doing business on Long Island is already untenable. Expanding the prevailing wage requirement

will make it exponentially worse."

Brian Sampson, president of the Empire Chapter of Associated Builders and Contractors, which represents non-union contracting companies, said he's "never seen a more horrific bill" introduced in Albany.

"It will stop current employers from expanding and raise a red flag to any company considering coming to New York or expanding here," Sampson said. "It will also impact local governments and school districts because it subjects off-site fabrication to the same prevailing wage schedules. So it's a double hit."

Terri Alessi-Miceli, president and CEO of HIA-LI, said that while she appreciates the good intentions of the bill's supporters, its adoption would deliver "a devastating blow to future economic growth in Suffolk County," and specifically to the Hauppauge Industrial Park, home to more than 1,350 businesses employing some 55,000 workers.

"In addition to inhibiting the creation of new manufacturing enterprises, this radical change in IDA guidelines would also suppress the introduction of new housing into our region, including affordable housing," Alessi-Miceli said. "A new prevailing wage provision is expected to shoot average IDA projects skyward by as much as 40 percent. Such a surge will instantly transform this new requirement into nothing short of a deal killer for vast numbers of new developments."

When told that developers and business leaders are calling the proposed prevailing wage legislation a deal killer, Aracich responded:

"That's their perspective. It's our obligation to educate the developers, agencies and general contractors on ways to ensure these projects are built safely, timely and on budget. I assure you we will have total transparency and full cooperation to ensure that both sides get a fair shake."