

DEVELOPERS AND CONSTRUCTION WORKERS FACE OFF OVER UNION PAY FOR PROJECTS THAT GET TAX BREAKS

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A fight is brewing in the state Capitol over whether construction workers should be paid union wages and benefits on building projects that receive tax breaks.

Contractors and real estate developers say the projects will

be too costly if they are forced to pay the higher rate, known as the prevailing wage.

"Should the current pending prevailing-wage legislation pass, it appears likely that we will be forced to move our company to another state where we can afford to continue to develop projects and employ our workforce," Robert and James Cough-

lan, owners of Tritec Real Estate Co. Inc., one of Long Island's largest developers, said in a letter to state leaders.

Unions say developers should be compelled to pay the prevailing wage on projects that win taxpayer aid from New York State or local governments.

"The prevailing rate prevents unscrupulous contractors from

exploiting workers by driving down pay," said John R. Durso, president of the Long Island Federation of Labor.

The outcome of the battle will impact the earnings of the 71,800 construction workers living in Nassau and Suffolk counties.

The prevailing wage varies by job and by county; it is set by the state Department of

Labor. On the Island a carpenter on a prevailing-wage project earns \$84.50 per hour (\$38.60 in wages and \$45.90 in benefit contributions), on average, compared with an average of \$38.40 per hour (\$30.70 in wages and \$7.70 in benefits) on other projects, according to a 2018

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study by Farmingdale State College's Business and Economics Research Center.

Under current New York State law the prevailing wage must be paid to all workers, union and nonunion, on government-funded public works projects such as roads, transit and schools. But that wage is not required for those employed on private construction projects aided by government.

Now Albany lawmakers are considering legislation that would extend the wage requirement to include private construction projects — from housing and retail developments near Long Island Rail Road stations to company expansions — that receive tax breaks or grants from Industrial Development Agencies and state agencies such as Empire State Development.

Higher costs foreseen

Developers say the proposal would increase the cost of IDA projects by as much as 40 percent, making them not worth pursuing. Some have threatened to stop building if the prevailing wage is expanded.

This dire scenario helped to keep the proposal out of the recently approved 2019-20 state budget, considered the easier path to adoption, according to political experts. However, the measure, in various forms, has bipartisan support and could clear the State Legislature before June 19 when its regular session ends.

"We want to create jobs, and we want to make sure they are good jobs that pay a decent living, and that's what the prevailing wage is all about," Gov. Andrew M. Cuomo told *Newsday* last week after a Jones Beach event. "We want to make sure we do that without . . . hurting economic development."

For union laborer Benjamin Carrasco, having the prevailing wage applied to IDA-supported construction would mean more work assignments. With two children and a third expected any day, he said he would have money to set aside in case of emergency and could stop living paycheck to paycheck.

"The prevailing wage gives us, unions, a level playing field" with lower-paid nonunion workers, said Carrasco, 43, at his North Bellmore home. "It's not easy getting work," he said, noting he usually works only 10 months each year.

With the prevailing-wage re-

BUILDING into a BATTLE

A construction-pay bill has drawn a hard line between workers and developers

quirement, Carrasco could earn up to \$81 per hour including benefits. Now, he said, he earns \$72 per hour including benefits because many of his work assignments are on projects where the prevailing wage isn't mandated.

"The developer wants aid, and the government uses our money to help them," said Carrasco, a shop steward with Local 66 of the Laborers' union. "But the developer is taking food off my table when he brings in guys from out of state and pays them \$15 an hour."

Tritec, the developer from East Setauket, said it employs hundreds of construction workers, up to 70 percent of them union members.

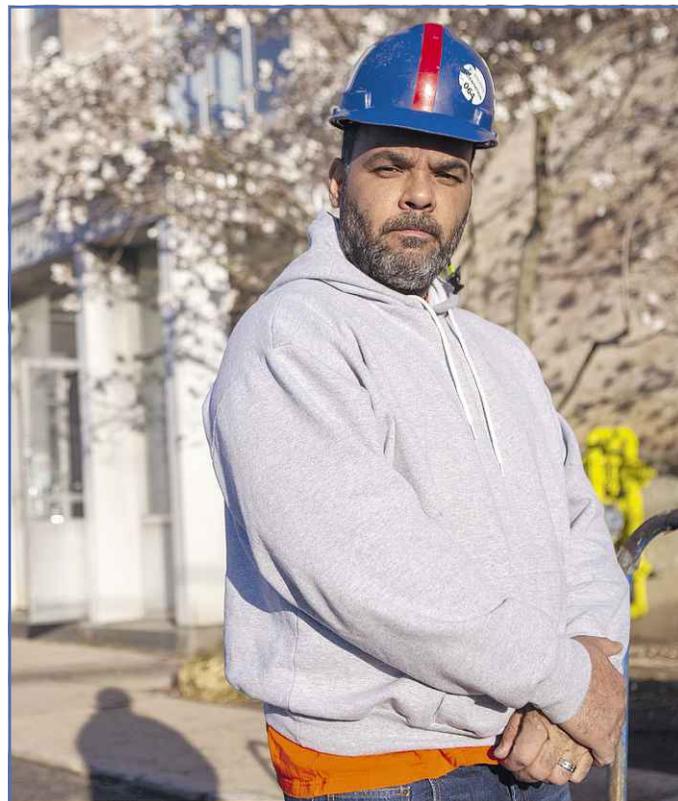
The company's portfolio includes the New Village housing development in Patchogue, the Ronkonkoma Hub and proposed transit-oriented projects near the LIRR stations in Lindenhurst and Bay Shore.

"None of these projects are feasible without New York State and/or IDA participation, and none would have been financeable with a prevailing-wage requirement," Tritec's owners said in their letter to state leaders.

Effect on apartment rents

They projected that with the prevailing-wage requirement they would need to raise apartment rents 15 percent to 25 percent, or \$300 to \$500 per month, to maintain the profits needed to attract investors to their developments. Boosting rents "is not viable or palatable for the average middle-class household," they said.

The pending legislation, introduced by state Sen. Jessica Ramos (D-Jackson Heights,



Benjamin Carrasco says an extended prevailing wage would mean more work for him and he could stop living paycheck to paycheck.

Queens) and Assemb. Harry Bronson (D-Rochester), would extend the prevailing wage to most construction projects receiving any form of government aid, including tax credits, grants and bond financing.

The proposal has passed the Assembly previously only to die in the Senate when that chamber was controlled by Republicans. But Democrats took control of both legislative houses on Jan. 1, and they've been responding to increased taxpayer ire over government aid to private construction, particularly IDA tax breaks.

With the bill likely to become law, developers and IDAs are seeking a compromise from unions to limit the prevailing-wage extension to the largest projects and those that receive substantial state aid. Cuomo has said he supports an exclusion for affordable housing.

'Make matters worse'

Kyle Strober, executive director of the developers' group Association for a Better Long Island (ABLI), said, "The cost of doing business on Long Island is already untenable. Expanding the prevailing-wage require-

ment, as the bill does now, would make it exponentially worse."

He predicted developers will stop using IDAs to avoid the prevailing wage, which happened in Ulster County and Yonkers until the mandates there were rescinded, or homeowners will pay more in taxes as IDAs grant larger tax breaks to cover projects' increased labor costs.

Strober said ABLI, the Long Island Association business group and the Long Island Builders Institute have banded together "to work out a tenable compromise."

Matty Aracich, president of the union umbrella group, Nassau-Suffolk Building and Construction Trades Council, is participating in the talks, though he bristles at developers' contention that organized labor is trying to "expand" the prevailing wage.

Restoring law's original goal

He said unions are seeking "to restore" New York's prevailing-wage law to what it was intended to do upon adoption in the 1890s: prevent local workers' pay from being undercut by nonlocal or itinerant workers willing to work for less.

"IDA tax breaks are supposed to provide an economic return to the community, but there's none when the people building the projects aren't local," Aracich said.

The prevailing wage improves the standard of living for workers, he said, citing the Farmingdale State study.

The study estimated that workers' annual pay would increase 97 percent to \$80,787 (including benefits), on average, if the prevailing wage was applied



Tritec says it employs hundreds of construction workers, most of them union members, on big projects like the Ronkonkoma Hub, above.

BARRY SLOAN

LI VA site spurred law in '31

The Northport VA Medical Center gave rise to the federal law stipulating that the prevailing wage be paid on federal building projects, according to historians and federal records.

The use of an out-of-state contractor and workers to construct the hospital in the 1920s led Rep. Robert L. Bacon (R-Old Westbury) to propose what became the Davis-Bacon Act of 1931. The act is still in force, though it has been amended through the years.

Speaking at a 1927 congressional hearing, Bacon said several New York contractors were outbid for the job because they included the state's prevailing wage in their bids, which the successful bidder, from Alabama, had not done.

That contractor "brought some thousand nonunion laborers from Alabama . . . into my district," Bacon said. "They were herded onto this job, they were housed in shacks, they were paid a very low wage."

"It seemed to me the federal government should not engage in construction work in any state and undermine the labor conditions and the labor wages paid in that state."

Bacon's bill, sponsored in the Senate by John Davis (R- Pa.), was signed into law by President Herbert Hoover in 1931.

The original hospital buildings are no longer in use and will be demolished next year, a VA spokesman said.

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NORTHPORT VA MEDICAL CENTER

Northport VA Medical Center, built in the 1920s

PREVAILING WAGE BOOSTS CONSTRUCTION EARNINGS

Requiring the prevailing wage to be paid on building projects receiving tax breaks would increase Long Island construction workers' pay substantially in some instances.

Job title	Current average hourly pay and benefit contributions by employer*	Hourly prevailing wage with employer benefit contributions**	% increase
Laborer	\$30	\$67.60	125%
Carpenter	\$38.40	\$84.50	120%
Plumber	\$56.90	\$88.50	55%
Electrician	\$39.10	\$62.20	59%

*Estimates based on U.S. Bureau of Labor Statistics data for Long Island
 **Estimates based on prevailing wage rates set by the NYS Department of Labor for Long Island
 SOURCE: 2018 study by Farmingdale State College's Business and Economics Research Center



HOWARD SCHNAPP

Developers group leader Kyle Strober cites "untenable" costs.

to projects getting tax breaks in Suffolk County, home to five of Long Island's eight IDAs. With more money in their pockets, the workers would spend more at stores, restaurants and other local businesses, producing an additional \$207 million in economic impact, the study projected.

The cost of IDA-aided projects would rise by up to 12 percent because of the prevailing wage, the study estimated.

Selective process urged

Jim Morgo, a former Suffolk County economic development commissioner and IDA chairman, urged state lawmakers to be selective in applying the prevailing wage to IDA-supported construction. Subjecting affordable-housing projects and small-company expansions

to the higher wage rate would mean they don't get done, he said.

"It's not like labor [unions] are being frozen out of these jobs," said Morgo, now a consultant to developers. "Every development that I have worked on that used IDA incentives had a large percentage of union shops on the job."

Some unions will negotiate a lower pay rate than the prevailing wage to keep developers from using nonunion labor on big projects.

Still, unionized contractors said their share of the market has declined in the past two decades.

GVDMC Inc., a unionized carpentry and millwork business in Medford, is lucky if it wins one out of every 15 contracts that it competes for, ac-

ording to founder and president George V. DeVito.

His company, which is nearly 20 years old, specializes in store exteriors and interiors, millwork and historic restorations. It employs 20 to 40 people depending on the workload and has sales of more than \$1 million per year.

Unions 'can't compete'

"I can't compete against someone who is paying his people \$15 an hour," DeVito said. "The prevailing wage is the great equalizer, because if the wages are equal, then we can compete on what really matters: our means and methods, our abilities, our reputations."

While he is hoping an extension of the prevailing wage will bring more work, the Long Island Housing Partnership antic-

ipates fewer homes will be built for low-income families.

Partnership CEO Peter J. Elkowitz Jr. said the wage requirement would add \$81,000 to the \$430,600 cost of building each of 23 single-family homes in the agency's current construction program. The higher labor cost translates into an additional \$391 on a monthly mortgage payment, which many families cannot afford, he said.

The partnership relies on grants of \$25,000 to \$40,000 to reduce the prospective owners' mortgage payment. Elkowitz said he doubts he can secure an additional \$80,000 in grant funds to make up for the prevailing wage.

"I'm hoping a compromise can be found," he said. "Otherwise, we will be helping many [fewer] people."