

Yonkers Free Press Opinion

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CHICKEN ISLAND PARKING LOT: Economic Impact Study Finds Union-backed Initiative Will Add 30% to Private Development Projects Receiving State Incentives Killing New Projects and Jobs at Dangerous Economic Time

Prevailing Wage Will Kill Downtown Redevelopment Renaissance

By **THE WRITERS ARE FROM
THE STATEWIDE STATEWIDE
COALITION FOR SMART
GROWTH.**

Prevailing Wage legislation included in Gov. Andrew Cuomo's proposed 2020 State Budget would increase the cost of major construction

projects by 30 percent and effectively bring the redevelopment renaissance taking place in downtown urban centers such as Yonkers, Mount Vernon, New Rochelle and Peekskill and communities across the state to a halt.

The dramatic finding is included in an in-depth Prevailing Wage Economic Impact Study prepared by Weitzman Associates, a respected nationally recognized real estate advisory services firm. Weitzman evaluated major new projects statewide. Its findings come at a time when the state is facing enormous economic uncertainty as a result of the Coronavirus pandemic.

The legislation, backed by construction unions, would artificially inflate the fair market value of wages paid on privately financed construction projects receiving state funding

incentives by requiring the wage scale paid on state-funded infrastructure projects such for highway and bridge construction.

Most private sector projects receive financial assistance from sources as Industrial Development Agency (IDA) incentives. Without the incentives, few, if any, of the large-scale residential and commercial projects that are transforming long-ignored urban centers in cities across the state would move forward.

The study compared construction budgets for specific projects based on prevailing wage (union) and open shop contractors. Financial feasibility analyses were conducted to determine paying prevailing wages would render the project economically unfeasible.

The study concluded there would

be a 30% average increase in construction cost that would make most major projects fiscally unviable, offsetting any benefit of the incentives.

The negative financial impacts of the proposed legislation stretch well beyond the project development companies. Using the “multiplier effect,” for every \$1 million spent in construction, an additional \$540,000 of economic value is created, thereby compounding the economic loss if projects don’t go forward.

Putting in perspective, the nearly \$10 billion generated by the \$6.4 billion in 200 IDA-funded projects in 2018 would be wiped out if the projects were not built as the result of having to pay Prevailing Wage.

The study concludes that “there is a great deal at stake if projects are rendered financially infeasible due to Prevailing Wage requirements.”

The study was funded jointly by six business and economic development groups from Westchester to Buffalo with a shared concern for the future of the economic revitalization, particularly in the urban centers. The members are committed to a strong line of communication with their local unions and to working to create sustainable training programs to make local hiring a priority. Members of the Statewide Coalition for Smart Growth are:

The Business Council of Westchester
The Business Council of New York State
The New York State Economic Development Corporation
The Buffalo Niagara Partnership
The Associated General Contractors of New York State
The Capital Region Chamber of Commerce

Imposing the Prevailing Wage on hundreds of projects across the state would have a devastating impact on the economy, and particularly on our cities,” said Marsha Gordon, Business Council of Westchester President and CEO. “And it could not come at a worse time, considering the economic fallout from the Coronavirus pandemic that is unfolding. Minimally, we implore Governor Cuomo and the Legislature to shelve the legislation until 2021 when we can assess the economic devastation that inevitably will result from the pandemic.”

Mike Elmendorf, President and CEO of Associated General Contractors of New York State, said “the study confirms what we have long known from the economic development community and our industry: Mandating Prevailing Wage on private projects that receive economic development assistance will mean far fewer projects, period. That means fewer jobs for our industry both union and open shop, and fewer opportunities for all New Yorkers. That any serious person is contemplating it now in this reality is beyond comprehension. We should be removing barriers to rebuilding and recovering, not erecting them.”

Dottie Gallagher, President and CEO of the Buffalo Niagara Partnership, said: “As the study clearly demonstrates, the expansion of Prevailing Wage to private construction projects at this time would be a serious drag on the economy of our region and the entire state. “Addressing this as part of an expedited state budget when our economy is under

severe stress and dire uncertainty is reckless, plain and simple.”

Ryan Silva, Executive Director of the New York State Economic Development Council, said the study provides new, relevant data that confirms the impact a Prevailing Wage expansion would have on the state’s economy. We need every tool available to address current and continuing economic challenges we are facing and opposes any further mandates that will harm economic development efforts in the state.”

Ken Pokalsky, Vice President of the Business Council of New York State, said: “In looking at the cost data from recent projects, this study illustrates the real-world adverse impact that a Prevailing Wage mandate will have on economic development and private sector investments. The state is in uncharted economic waters today. It makes no sense to pass legislation that erodes the value of the state’s economic development incentives.”

Statewide Coalition for Smart Development

