



## Builders, unions aim to cut costs

Pushing changes to regain share of residential market; seek Council's help

By: **Erik Engquist**

Published: **July 1, 2007 - 6:59 am**

Worried about a decline in their market share for housing, union contractors and workers are moving to lower the cost of hiring them for residential developments.

They also intend to ask the City Council to impose new safety and benefit standards on all contractors, which would raise costs for nonunion competitors that they claim cut corners and break the law.

The Building Trades Employers' Association and the Building and Construction Trades Council of Greater New York have agreed to standardize work rules for market-rate residential projects of 120,000 square feet or more, which will shave costs by \$10 to \$12 a square foot, according to an analysis by BTEA contractors. The changes include uniform holidays and workday start times for the unions that make up the BCTC. The deal was approved last month by the trade council's executive board, and its member unions are expected to sign off within 30 days.

"Right now, there's probably a 20% [cost] differential between building a 30-story building with union workers versus nonunion," says Louis Coletti, president and chief executive of the BTEA. "We want to cut that in half. The development community has told us that if we can do that, they would never even look at a nonunion contractor." His group and the BCTC are also negotiating for even more dramatic cost savings on affordable-housing projects.

### Gap widens, share drops

Developers that consider union work more reliable and of higher quality are willing to pay more for it. But the premium has grown so large that BTEA contractors--which use union labor exclusively--have seen their share of market-rate housing construction drop to 50% from 80%, Mr. Coletti estimates. Their share of affordable-housing construction, a fast-growing market, is a meager 10%, he says.

Though the commercial building boom has kept unionized contractors busy, the agreements are designed to protect them if that activity declines. "What we're trying to do is ensure that New York City remains a high-density union construction market, even during times when the market is slow," Mr. Coletti says.

Union labor is more expensive because of more generous wages and benefits, and also because work schedules vary. For example, workers from one union may show up at 7:30 in the morning but not be able to begin work until another union arrives at 9. Uniform schedules would increase productivity and cut costs; a reduction of \$12 per square foot would yield savings of just under 3%.

Mr. Coletti's contractors have signed collective bargaining agreements that require them to use union labor. The new market-rate pact supersedes those agreements and could be seen as concessions by labor. However, Edward Malloy, president of the BCTC, notes that the deal does not reduce wages and benefits, which together cost union contractors over \$50 an hour per worker.

By contrast, wages and benefits will be trimmed in the affordable-housing agreement, which Mr. Malloy hopes to complete by October. Unions usually shy away from creating separate, less lucrative work categories, but in this case it is necessary for them to compete.

Union-built affordable housing typically costs \$20 to \$25 more per square foot, says Adam Weinstein, president of Phipps Houses, a large affordable-housing developer. Even if work-rule changes halve that amount, each union-built apartment would require an additional subsidy of \$10,000 to \$15,000.

"The math is tough," Mr. Weinstein says.

Organized labor and union contractors hope to further close the gap with city legislation adding more stringent safety and labor standards. That would raise costs for nonunion builders engaged in what Mr. Coletti calls "this dramatic race to the bottom"--the flouting of safety procedures and labor laws.

Specifically, Mr. Coletti's and Mr. Malloy's groups will lobby the City Council and Bloomberg administration in the coming months to require contractors to show proof of health, disability, liability and workers' compensation insurance to receive building permits.

### **Unions key in on safety**

They will also ask that construction superintendents on new developments be required to have site-safety licenses and that permits for new buildings six stories or taller be granted only to contractors with apprentice programs. A major selling point will be safety: Nonunion employees account for 25% of the city's construction workforce but 86% of construction-related deaths, Mr. Coletti says.

Violators would face steep penalties, including a one-year ban on building permits after the third offense.

James Parrott, chief economist for the Fiscal Policy Institute and author of a recent report about abuses by affordable-housing builders, says the measures would chase off bad actors.

"There are a lot of marginal businesses that have emerged because there's been such lax oversight," Mr. Parrott says. "If marginal businesses go out of business, it's not such a bad thing for the economy--or the health of the workers."

Increasing unions' share of affordable-housing construction will allow them to add members--or, if the rest of the market withers, to keep the ones they have, Mr. Malloy says.

"It's about an \$8 billion segment of the industry, and if you look at the projections, that will probably be growing as the years go on," he says. "It's a possibility that market-rate and luxury housing will wind down, and the only housing to be built in New York City will be affordable housing."

Comments? [EEngquist@crain.com](mailto:EEngquist@crain.com)

---

Entire contents © 2007

---