

# NYSFAH

NEW YORK STATE ASSOCIATION FOR AFFORDABLE HOUSING  
242 W 36<sup>th</sup> Street 3<sup>rd</sup> Floor • New York, New York 10018  
Phone: 646-473-1205 • [info@nysafah.org](mailto:info@nysafah.org) • [www.nysafah.org](http://www.nysafah.org)

## NYSFAH Testimony on Intro 1169 Hearing of the New York City Council on Economic Development October 28, 2013

Good morning. My name is Alexandra Hanson and I am here representing the New York State Association for Affordable Housing (NYSFAH), the trade association for New York's affordable housing industry statewide. I would like to thank Chair Koslowitz and the members of the Committee on Economic Development for the opportunity to testify today on Intro 1169.

NYSFAH recognizes the Council's efforts to ensure a highly skilled workforce, minimize risk, and promote quality control on City supported construction projects. NYSFAH is committed to ensuring a skilled workforce in the affordable housing industry and recognizes the important place workforce development and training has in the industry. However, NYSFAH is deeply concerned with the adverse impact the legislation would have on affordable housing, both in terms of the effect on small businesses that work in the industry and on the City's ability to develop and preserve affordable housing.

(1) *Apprenticeship agreements:* Intro 1169 requires that any contractor or subcontractor performing work on a City development project have apprenticeship agreements which have been registered with and approved by the New York State Department of Labor (DOL) in accordance with Article 23 of the New York State Labor Law. While the bill does establish thresholds for compliance, these thresholds are so low that nearly all affordable housing projects will still be subject to this mandate. The provisions set forth for qualifying apprenticeship agreements will make it impossible for many of the businesses that currently work on affordable housing to be in compliance.

Much of New York City's affordable housing is built by small community-based businesses that employ local, New York City residents. Many have decades of experience working on affordable housing projects. These are skilled people in their trade – companies that have insurance as well as required trainings and certifications to safely and competently complete these jobs. However, as small businesses they do not have the intensive resources that would be required to develop and register an apprenticeship program with the DOL.

**Even for those companies that may have the resources to develop an apprenticeship agreement, Intro 1169 would preclude them from participating in affordable housing projects for years until they are able to complete the registration and approval process through the DOL.** Our understanding is the current timeframe for registering and approving such a program is one to two years. This is in addition to the time it would take an organization to develop the curriculum and structure for the apprenticeship. It is reasonable to assume that the approvals timeframe would increase significantly under Intro 1169 given the backlog of apprenticeship program approval requests to DOL that will result. However,

Intro 1169 takes effect immediately upon enactment, denying businesses any reasonable timeframe for registration and approval of the apprenticeship programs it requires. The result will be hundreds of businesses out of work, and many out of business entirely, due to lack of resources or simply time to comply with the narrow definition of acceptable workforce training in Intro 1169.

NYSFAFH supports workforce training and development as an important component of maintaining a skilled workforce in affordable housing. To this end, NYSFAFH members have developed and are working to expand a workforce training program, providing no-cost customized training to qualified applicants which prepares them to work on affordable housing construction sites. The training includes instruction in construction math, carpentry, plumbing, electrical, safety, and blueprint reading, as well as OSHA 10 hour, Asbestos, and Scaffolding certifications. This is just one example of workforce development that provides relevant training that would fall outside the scope of Intro 1169.

- (2) *Cost impact on affordable housing:* In addition to the devastating impact Intro 1169 will have on many of the community-based small businesses that work in affordable housing, it will also significantly raise the cost of developing and preserving affordable housing at a time when the City is in urgent need of affordable units. At an estimated average of \$10,000 per apprentice, depending on the trade, mandating these costly and resource intensive apprenticeship agreements for every contractor and sub will add significantly to the cost of developing affordable housing. In addition, there are a limited number of entities that run or have access to these DOL approved apprentice agreements, the vast majority of which are trade unions. Intro 1169 effectively creates a monopoly for these existing apprenticeship programs, excluding the hundreds of small businesses that rely on affordable housing and other construction industries for their livelihood. While the goal of enhancing education and training opportunities for construction workers on projects receiving financial assistance from the City is a laudable one, this should not be done at the expense New York City's small businesses, and to the detriment of such an urgently needed resource as affordable housing. Alternative methods of enhancing workforce development that would achieve the Council's stated goals without the adverse impact on small businesses and affordable housing production should be explored and prioritized over the narrow and damaging requirements set forth in Intro 1169.
- (3) *Punitive penalties for non-compliance:* Intro 1169 outlines harsh penalties for any covered developer found to be in violation of its provisions. This includes a provision in which non-compliant covered developers can be ordered to repay up to 25% of the total financial assistance awarded. This will jeopardize the overall financing of affordable housing projects to an extent that banks or tax credit investors may be unwilling to finance projects due to the risk involved under this provision of Intro 1169. This will cut deeply into the City's ability to produce affordable housing, and the resulting public benefits of affordable units; economic activity and jobs will be lost, as affordable housing projects will simply not move forward without these financing sources.
- (4) *Onerous reporting requirements:* Intro 1169 imposes onerous reporting requirements on affordable housing projects that will increase costs and further raise barriers to entry into the industry. Barriers to entry for small businesses into the affordable housing industry are already too high – given the capital requirements to compete in the industry, and the

regulatory burdens currently imposed by the many layers of government and private oversight on affordable housing development.

Improving the quality of housing and the skills of construction workers in New York City is a worthy cause, but the current version of Intro 1169 will have a devastating impact on both the production and preservation of affordable housing in New York City, and the community-based businesses that the affordable housing industry employs. As such, NYSFAH opposes Intro 1169. We urge the Council to explore alternative avenues of increasing opportunities for training and education for construction workers which would not have the devastating impact on small business and affordable housing production that would be seen under Intro 1169. We are eager to work with the Council to achieve those end goals. I would like to thank Chair Koslowitz the Committee on Economic Development again for the opportunity to testify today and for your consideration of NYSFAH's concerns.

NYSFAH is the trade association for New York's affordable housing industry statewide. Our 300 members include for-profit and nonprofit developers, lenders, investors, attorneys, architects and others active in the financing, construction, and operation of affordable housing. Together, NYSFAH's members are responsible for most of the housing built in New York State with federal, state or local subsidies.

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Contact: Alexandra Hanson, New York City Policy Director, NYSFAH (646) 473-1209