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Report: It Costs More To Build In NYC (But Don't Blame Labor)

By Joe Maniscalco

New York, NY - “Burdensome regulations and costly red tape” — and not expensive labor — are among the chief reasons why building costs in the Big Apple are about twice as high as anywhere else in the country.

According to a new report from the New York Building Congress [NYBC], construction costs in the City of New York rose by roughly five percent last year, while costs around the rest of the nation increased 2.5- to 3-percent between 2013 and 2015.



Building costs in NYC are on the rise.

NYBC President Richard Anderson calls those inflationary figures “cause for concern” - but also notes that “the construction market is as strong as it was during the previous building boom, we have not seen a return of cost increases in the double-digits, like we saw from 2006 through 2008.”

The NYBC, a 95-year-old advocacy group consisting of some 400 constituent organizations, insists that costs can be reduced through innovations in construction methods, improvements to procurement policies and procedures — and the elimination of those burdensome governmental regulations and costly red tape.

“Finding ways to promote more cost-efficient construction must continue to be a key priority for our industry and government,” Anderson said in a statement this week.

After noting that the overall cost of construction materials, such as fuel oil, steel, gypsum products, and lumber, was relatively flat in 2015 due to declines in global demand — the NYBC report finds, “It thus appears that the primary driver of local cost inflation was the high volume of work in New York City, which the Building Congress estimates at \$40 billion in spending in 2015. Such high demand for construction services likely exerted upward pressure on wages and bid prices.”

Anderson, however, further told LaborPress that New York City’s current regulatory environment is “more onerous than anywhere else” and that all of the risk of building is being shifted onto contractors.

“The only way for contractors to bid city work is to increase their prices to try and protect themselves,” Anderson said. “People talk about the high cost of labor, and we are in a costly labor market for construction, but the cost of government is proportionately higher here than it is elsewhere.”

Stateside, it’s cheaper to build in Chicago, Boston, Los Angeles and Washington D.C. — and the only city internationally which consistently registers higher construction costs than New York City - is London, England.

First Deputy Secretary Austin Finan told LaborPress that one of the primary goals of the de Blasio administration's pending Zoning for Equality and Affordability text amendments, is to make affordable housing and senior housing significantly less expensive to build.

"When it comes to public capital projects, we are currently working with the state to expand the use of design-build as a contracting tool here in the city, which is currently only available to certain state agencies," Finan said in an e-mail.

Although inflationary, the rising construction costs identified in the newest NYBC report are not inconsistent with the kinds of fluctuations detailed since the group first started conducting its surveys some 16 years ago.

As for safety, Anderson says it doesn't have to cost more to build safe.

"Government can impose regulations in the name of safety that will substantially increase costs, but that doesn't necessarily have to be the case," he said. "If workers and companies follow industry standards and best practices, it doesn't have to cost more money."