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## To solve the fight over a property-tax break, answer three key questions

Data on demographics, pay and profits would enable  
an honest assessment of the controversial property-tax break



Photo: Buck Ennis

Gary LaBarbera speaking at a recent *Crain's* real estate conference.

By [Greg David](#)

Sparks flew earlier this week as the real estate industry, the city and the union movement faced off over the expired 421-a tax break and whether any development built with such an incentive should be required to use union labor. But at the end of the session at the [Crain's real estate conference](#), I was left with three questions.

First, consider the positions of the protagonists.

Unions represented by Gary LaBarbera contend that requiring prevailing wage is something government does on other construction and should do for housing built with tax breaks, to fight inequality and keep wages up.

The real estate industry represented by REBNY's John Banks says that a tax break is needed to offset the prohibitive costs of building rentals in the city, and that even with a major tax incentive, the cost of union labor is so expensive that it will deter construction.

The de Blasio administration, represented by Housing Preservation and Development Commissioner Vicki Been, says that the imposition of larger requirements for affordable housing—at least 25% under its 421-a plan—and the lower rents the expired program mandated are appropriate trade-offs for the tax break. Requiring union labor will be an additional burden that will mean less housing.

Here is what we need to know to choose between these options.

### **Who are the unionized construction workers and who are the nonunion construction workers?**

Last year, the New York Building Congress reported that the construction workforce is about 40% white, 37% Hispanic, 13% African-American and 10% Asian-American.

The assumption is that union workers are primarily white and nonunion workers primarily not. However, the unions point to a 2013 blog post by the Economic Policy Institute that claimed 21% of unionized workers are black. It was admittedly preliminary research, and a follow-up study has yet to be released.

This is important because this is a winners-losers situation. Who will get the jobs if union labor is required on affordable housing, and who will lose jobs?

### **How much do nonunion construction workers make?**

LaBarbera said that most union construction workers earn between \$80,000 and \$100,000 a year, in part because they don't work year-round. Let's assume that's correct. It's very good money given that the median family income in the city is a little less than \$55,000 a year.

A consultant to the unions at the *Crain's* event blithely suggested nonunion workers make \$12 or \$13 an hour. The vast majority of nonunion construction workers almost certainly make more than \$13 an hour, but we don't know how much more. It is important to know whether nonunion construction workers are paid reasonable wages that translate into middle-class jobs. I could find no good data on the subject.

### **How profitable are residential buildings built with tax breaks like 421-a?**

LaBarbera claimed they were very profitable, meaning they can afford union labor by accepting a somewhat lower profit, and no one took issue with him. A Furman Center report looked into the issue last year, but it was a theoretical analysis based on a set of assumptions, not a study of real projects. What is the average profit for a rental building with affordable housing?

These are the questions that, if someone would answer them, would help show whether 421-a should be reinstated and with what labor requirements.