A Report from the New York Building Congress and New York Building Foundation

New York's Rising Construction Costs:

Issues and Solutions

2002 2003 2004 2005 2006 2007

Introduction & Executive Summary

New York City remains in the midst of an historic construction boom that reaches across all sectors of the design, construction and real estate industry. According to *New York City Construction Outlook,* an annual forecast and analysis prepared by the New York Building Congress, total spending by government, businesses and institutions may top $83 billion over the period 2007-2009.

While this extraordinary level of activity is helping to transform the New York landscape and fuel the local economy, it has also created significant upward pressure on construction costs.

The New York Building Congress and New York Building Foundation commissioned this report on Non-Residential Consstruction Costs in an effort to quantify and better understand New York's unique construction cost environment and to identify potential ways to contain certain costs Specifically, this report aims to:

- **Examine the local, national and international factors driving the costs of construction;**
- **Analyze construction cost differences between New York City and other U.S. urban centers;**
- **Recommend steps that City and State government, as well as the industry, can take to contain those construction costs that can be influenced locally; and**
- **Promote an environment that enables private developers, government and contractors to more accurately project long-term construction costs, which will help ensure that the types of major, multi-year, city-shaping projects critical to New York City's long-term economic growth come to fruition**.

The report comes at a pivotal point for New York City. Though the demand for construction remains intense, signs of a weakening economy abound, which in turn threaten the financial capacity for public and private sector building. All the while, construction costs continue to rise.

As documented in this report, general contractors in New York City reported:

- **A five to six percent increase in construction costs in 2004;**
- **An eight to ten percent increase in 2005;**
- **A 12 percent increase in 2006; and**
- **An 11 percent increase in 2007.**

Several factors, including some national and global conditions, are acting in concert to produce this seemingly relentless rate of cost escalation.

- **Rising global demand, largely fed by booming economies in India and China, is driving up the cost of essential commodities like steel and concrete.**
- **Nationwide demand for construction materials and services is intense. Non-residential construction spending has surged by 46.5 percent since 2004, and overall U.S. construction spending now exceeds $1.1 trillion annually.**
- **Price spikes in commodities, such as copper, concrete and fuel, have been exacerbated by the loss of commodity production capacity in the United States.**
- **Inflationary pressures also account for a portion of the increased cost of contractors, subcontractors and skilled labor, the cost of land, fuel prices and the cost of compliance with environmental regulations.**
- **Although too early to quantify at this point, the effect of a prolonged credit crunch on the availability and cost of bank loans for construction may be an additional pressure that becomes important to examine.**

But these external factors alone are not enough to explain trends in New York City, where costs are significantly greater than in other U.S. cities and where the gap is growing annually. For example:

- **Construction in New York City is over 60 percent more expensive than comparable construction in Dallas, nearly 50 percent more than Atlanta, 25 percent more than Seattle and 20 percent more than Los Angeles;**
- **Total construction costs for high rise office towers can exceed $400 per square foot (psf) in New York City, compared to $180 psf in Chicago;**
- **In 2007, public elementary school construction costs in New York City were $512 psf, compared to $289 psf in Chicago; and**
- **At $600 psf, hospital construction costs in New York City significantly outpace Boston and Washington, D.C. ($500-$555 psf) and Los Angeles and San Francisco ($380-$400 psf).**

The disparity in construction costs between New York City and other U.S. regions is due to a host of local factors, many of which are self-inflicted. These include:

- **Extensive local regulations and government policies that generate waste and added risk;**
- **Inefficiencies created by poor project planning and management, as well as more extensive union work rules;**
- **Workforce shortages, including a limited supply of local specialized trades;**
- **Logistical issues, such as street congestion and the insufficient number and size of staging areas; and**
- **Stringent environmental mitigation standards, which make it more difficult to add to the City's shrinking supply of developable land.**

Though the appetite for construction remains largely unabated, the question arises as to whether, and at what point, inflationary pressures and increased costs will significantly dampen the enthusiasm of developers and jeopardize funding for public projects. When could building in New York City become cost-prohibitive?

Indeed, warning signs already abound. In the first two months of 2008 alone, New York State infrastructure agencies have announced that they are pulling back on some major, largely funded projects. Two notable examples include the Javits Convention Center expansion in Midtown and the Fulton Street Transit Center in Lower Manhattan. In both cases, government officials cited budgets that had grown far beyond original estimates.

These events are of real concern given the multitude of major transit and development projects currently in planning or in the initial stages of construction, including the Second Avenue Subway, Moynihan Station, Atlantic Yards and the World Trade Center redevelopment.

As this report seeks to demonstrate, some factors contributing to construction cost escalation can be combated on a local level. For example:

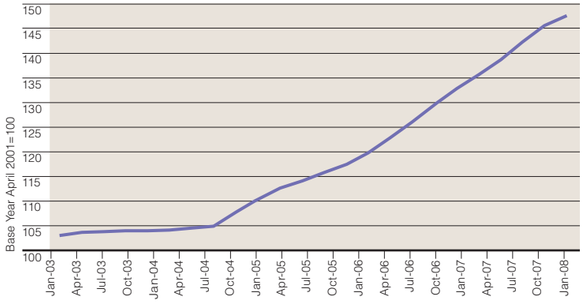
- **The supply of land could be expanded through continued rezoning initiatives, enhanced brownfield remediation and vacant land surcharges;**
- **The on-time and on-budget delivery of projects could be aided by the implementation of effective and fair procurement polices and practices;**
- **Government, private owners and management could take steps to better share risks and promote quality-based selection and prompt payment for services;**
- **Workforce productivity and supply could be enhanced by a number of measures, including the increased use of project labor agreements and further development of contractor and project management skills; and**
- **Government could use its executive, legislative and regulatory authority to better ensure a free flow of construction activity, timely decision-making and improve coordination of supplies delivery and necessary permits.**

When taken together, these and other steps would achieve tangible cost savings and help keep construction in New York City competitive.

National Conditions

Since the beginning of 2004, the cost of construction nationally has escalated dramatically. In 2004 and 2005, average annual increases in building costs rose eight to nine percent. That rate of escalation more or less continued in 2006 and 2007, with increases of 10.4 percent and nine percent, respectively. This nearly unparalleled rise in bid costs of construction, which include labor, materials and general contractor and subcontractor overhead and fees, has impacted most major cities, with the hottest spots experiencing cost increases that are nearly double the national average.

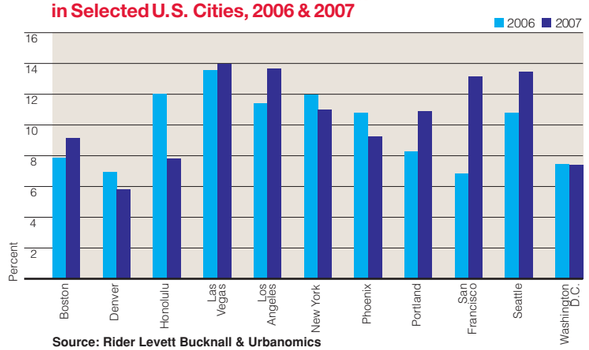
National Construction Cost Index



Source: Rider Levett Bucknall

A major contributing factor in demand-driven cost escalation has been the sheer volume of construction put in place. Nationally, non-residential construction spending has surged 42 percent since 2004, to an annual average volume of nearly $350 billion, led by sectors such as hotels, offices, sports venues and educational facilities. When residential and government spending are also considered, the value of all construction spending annually exceeds $1.1 trillion.

Annual Construction Cost Escalation in Selected U.S. Cities, 2006 & 2007

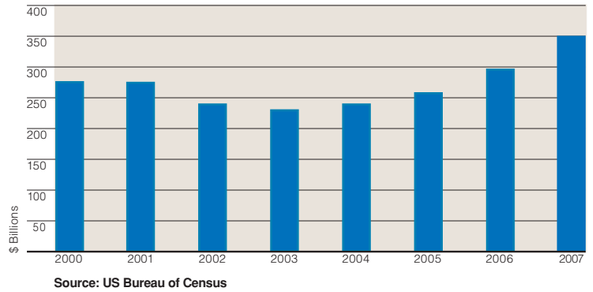


Source: Rider Levett Bucknall & Urbanomics

The factors causing building cost increases nationally flow mainly from the globalization of markets for energy and materials, the weakness of the dollar in world markets and the impact of worldwide construction activity. Booming economies in China and India, coupled with ongoing recovery efforts where natural disasters have occurred, have created a fierce international competition for scarce resources, driving prices higher. With declines in the domestic production of construction commodities and the manufacturing of semi-finished building materials, U.S. builders have increasingly found themselves competing for materials and fueling demand in the global marketplace.

1095 Avenue of the Americas and One Bryant Park, courtesy Jason DeCrow

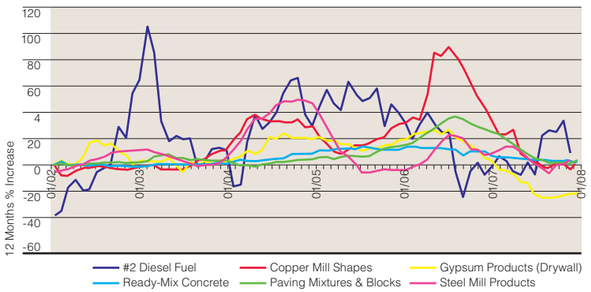
Non-Residential Construction Spending in the U.S., 2000-2007



Source: US Bureau of Census

In addition, price spikes in strategic commodities, such as copper, concrete and fuel, and margins added by suppliers and subcontractors, have contributed substantially to the escalation in hard costs. Notably, along with adding to overall inflation, the high price of oil at over $130/bbl has had a significant direct and indirect impact on construction operations and materials. As the price of oil increases, so does the cost of operating on-site machinery, which include excavators, pumps, generators and heaters. The costs of petroleum by-products, like plastics, rubber, asphalt, carpet and roofing materials, also move with the price of oil. Although trends in selected commodity prices showed less volatility at the national level in 2007, they continue to illustrate the climate of material cost escalation in which New York builders must operate.

Commodity Price Increases in Selected Construction Materials, 2002-2008



Source: Bureau of Labor Statistics, Producer Price Index

Labor and soft costs also play a role in the upward trend of construction costs nationally. With regard to labor, while overtime has risen overall and wages have grown at a moderate pace, the cost of fringe benefits, such as health care, have been on the rise. Soft costs have tended to keep pace with hard costs as the price of insurance and compliance with public regulations increases.

New York City Trends & Outlook

Over the past 35 years, the cost of construction in New York City has increased more than 400 percent, significantly outpacing overall cost increases in other large U.S. cities. In recent years, the cost curve has accelerated, with general contractors reporting a five to six percent increase in New York City in 2004, an eight to 10 percent increase in 2005 and a 12 percent increase in 2006. The current rate of one percent escalation per month moderated somewhat to an 11 percent yearly gain by the end of 2007.

Faster escalation in New York is widening the cost breach and hindering the City's cost competitiveness against other U.S. cities. At present, construction in New York City is over 60 percent more expensive than comparable construction in Dallas, nearly 50 percent more than Atlanta, 25 percent more than Seattle and 20 percent more than Los Angeles.

Though subject to the same national and global trends in construction costs as these other U.S. cities, New York City has experienced greater increases in hard and soft costs due to its unique environment and cost factors. Leading the list, land costs have accelerated beyond all other cost factors, driven by high returns and rents in the luxury condominium and office markets of New York. Limited available sites, costs of environmental mitigation and the constraints imposed by public processes and regulations, such as zoning codes and site and design approval, also have contributed to high and escalating land prices. In Manhattan, developable land costs have risen several hundred percent in recent years to reported prices of $400 per gross square foot (gsf) of buildable floor area, with air rights offered at 50 to 60 percent of land costs. Desirable locations in the other boroughs, moreover, can now command $150-$200 per gsf, prices that, until recently, had been attributable only to Manhattan.

Apart from the market forces over which it has little control, New York has self-inflicted significant cost escalation through certain public sector and industry practices and regulatory requirements. Procurement rules and processes that fail to allocate risk fairly and appropriately to the party that controls the risk, along with delays in the close-out and payment process, produce higher bids on projects and have a chilling effect on competition. Subcontractors report adding as much as 20 percent to General Conditions on bids for public projects to cover costs associated with their risk exposure and government inefficiencies. A leading example of inappropriate risk allocation that inflates contingencies involves the “No Damages for Delay” provision. Contained in several public agency contracts, this provision prohibits the contractor from recovering reasonable increased costs for owner-caused delay. This increases the costs of construction because knowledgeable contractors automatically build the risk of delay into their bids, ensuring that government pays for potential delays whether they occur or not.

Public and private owners also pay a price for their part in tightening the cash flow of subcontractors. Already affected by the high volume of Citywide building activity, subcontractor cash flow is further squeezed when money is tied up in change orders and retainage requirements. Due to owner delay in processing payments and closing out jobs – as well as the lack of upfront mobilization payments – subcontractors may have insufficient funds to start or continue working on a project.

This can lead to delays that contribute to increased construction costs. Payments made within 30 days can reportedly generate a three to four percent savings on the hard costs of all trades, whereas on mega-projects, prompt payments could result in a savings of as much as eight percent on the hard costs of certain trades.

Poor project planning and management, particularly in the public sector, create inefficiencies that also contribute to increased costs. Inefficiencies arise from a range of project management issues, including the lack of clarity of scoping documents and drawings, changes to scoping and specifications, delays in decision-making and insufficient budget accountability. In addition, New York’s increased enthusiasm for high design and "starchitects" comes with greater risk of ballooning costs for those owners, especially public owners, that lack the capacity to manage the design process, value engineer and control costs on complex projects.

Comparatively higher insurance rates and liabilities and a limited supply of local specialized trades, like curtain-wall installers and elevator/structural steel erectors, make building in New York more expensive, as do urban logistical issues like street congestion, special permitting requirements for Saturday deliveries and staging constraints, which add to delays and material transport costs.

Finally, New York’s higher prevailing wages, more extensive union work rules and jurisdictional issues can also contribute to higher costs through delays caused by different work schedules among various trades and the jurisdictional settlement process for dealing with the division of labor between trades. Delays caused by productivity and work quality issues related to less-skilled, less-experienced non-union labor can be another contributing factor.

New York/Chicago Differences in Prevailing Wage Rates by Skill, 2008

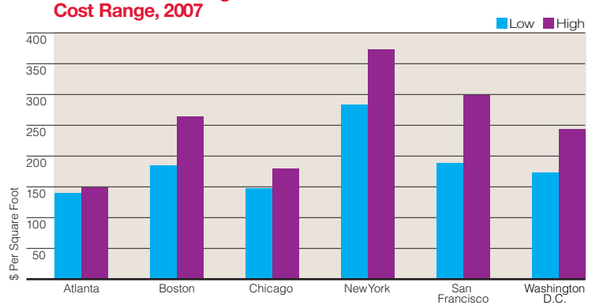
Source: NewYork State Department of Labor; Illinois Department of Labor

To follow are brief summaries of cost escalation in three categories of New York City’s non-residential construction sector: office, institutional and infrastructure. Each is based on extensive interviews with industry participants, as well as independent research. Also included are recommendations on steps that government, public and private owners, management and labor can take to contain and even reduce construction costs.

Office Construction

In 2007, the hard costs of constructing a high-rise New York City office building ranged between $285 and $375 psf, compared to a $230 psf average in 2003 and roughly $120 to $130 psf in the mid-1990s. Today’s costs represent a 50 percent increase from four years ago and reflect a 150 percent differential over the hard costs for a comparable office building in Chicago. When contingencies, general conditions, insurance, subcontractor bonds and construction management fees are added, the total project costs for high-rise office buildings in New York can exceed $400 psf – exclusive of soft costs, land costs and developer profits. By contrast, total project costs can average $150 psf in Atlanta, $180 psf in Chicago and $200 to $300 psf in other major cities.

Prime Office Building Construction Cost Range, 2007



Source: Rider Levett Bucknall; Turner Construction Company; Tishman Construction Corporation; and Tishman Speyer

In January 2008, the Bureau of Labor Statistics estimated a 3.3 percent increase in office building construction costs nationally over 2007. By comparison, major New York contractors currently report a 10 to 12 percent increase in the City and foresee a decade of substantial construction demand with continued cost escalation over the next five to six years. The contributing factors most often cited include:

- fewer concrete, steel, curtain wall and elevator subcontractors to accommodate an increasing amount of public and private work;
- long lead times on materials, ranging upwards from two months for concrete, eight months for steel and 12 months for curtain wall and elevator trades, compounded by volatility in global market prices and fuel-related escalation in local commodities;
- delays in payments or owner approvals that disrupt production schedules, such as mill slots, and impose further costs for trades; and
- shortages in project managers, skilled foremen and laborers, with associated productivity issues and rising overtime costs.

Certainly, many factors unique to New York affect its costs. Proximity to subways, the depth of rock, a dense urban fabric, confined sites, the presence of previous and adjacent structures, and the size and risk associated with large-scale projects present complexities that layer on costs. The decrease in the number of specialized trade vendors, even though many subcontractor jobs now exceed $100 million in value, exemplifies the risks inherent in this high-pressure market.

The evolution of building design and new building code requirements also contribute to rising office costs. Structures and facades are built today for added security and anti-terrorism impacts and, thus, often rely on emerging technology, requiring more sophisticated and higher capacity mechanical and electrical systems. The recent trend toward architecturally distinct and environmentally sustainable facilities additionally contributes to increased building costs.

Institutional Building

As a general rule, institutional facilities tend to cost more to construct than office buildings. This sector, which encompasses schools, hospitals, museums, court houses and other public assembly structures, lacks the repetitive template of residential and office structures, making development considerably more complex. Many of these buildings vary between floors, which can differ in use, format, ceiling

height and electrical requirements. Most must also contend with more costly regulations and other non-structural inspection requirements, such as health care safety.

Often, private institutional clients face eroding resources and constrained budgets that fail to match original design concepts. Timelines can stretch as long as 10 years, with project costs revised throughout. Because funds are held back longer, contractors tend to add points to contingency percentages in construction budgets to cover expected and impending delays, whereas a prompt payment policy might yield significant savings on hard costs.

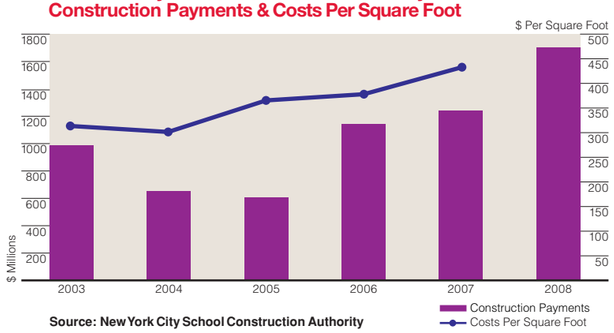
Some progressive measures to increase productivity and reduce costs have been made by union labor through the use of project labor agreements (PLAs) on private and public works projects. Perhaps the best example of this trend in the public sector is the PLA with the New York City School Construction Authority (SCA), which is generating $488 million in savings on more than $6.7 billion worth of improvements to existing educational facilities.

- *School Building:* The national average cost of constructing new public elementary and high schools rose seven percent in 2006 and 11.6 percent in 2007, according to the Bureau of Labor Statistics. With a $13 billion capital plan that assumes five percent annual inflation, the SCA has experienced escalating costs at bid for all new capacity projects. Over the 2005-2009 period, the SCA anticipates building 100 new schools by a low-bid process. As of 2007, new school construction averaged $433 psf, or nearly 15 percent above 2006 and 33 percent more than the design standard set at $325 in 2003.

  The SCA has recently relieved some pressure on subcontractor costs by revising change order provisions in its contracts. Progress payments will now be made for up to 80 percent of estimated costs, as determined by the SCA, on an allowance change order of $50,000 or more. Within 90 days from the date of the notice of direction, a contractor must submit a detailed cost proposal, whereupon a fair and reasonable evaluation of costs will be completed by the SCA and a final amount will be negotiated with the contractor. This reform, which addresses the payment delays and uncertainties that have led contractors to inflate public sector bids, has been well received and should result in public savings.

In the private sector, prompt payment is less of an issue, but project costs are typically greater. According to Tishman Construction Corporation, the hard costs of school construction set at market rate in 2007 were $512 psf in New York and $289 psf in Chicago. Four components – plumbing, HVAC, electrical and exterior façade – account for 69 percent of the trade cost difference. The SCA attributes recent cost escalation, including price increases for certain materials, to increased competition for building resources due to New York's hot construction market. Concrete costs, for example, rose 10 percent in 2006 alone.

New York City School Construction Authority
Construction Payments & Costs Per Square Foot



Source: New York City School Construction Authority

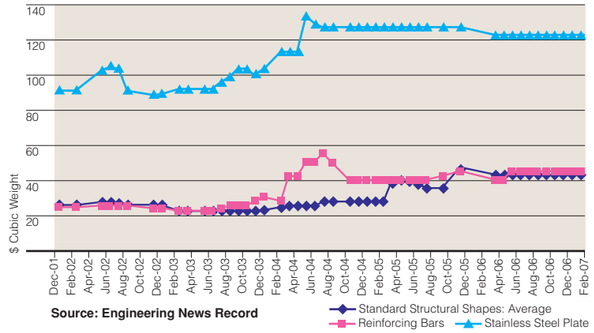
- *Hospital Building:* The cost of hospital construction currently averages $600 psf in New York City, which is considerably more than high-range construction costs of general hospitals in other major U.S cities. In Boston and Washington D.C., for example, hospital building costs range from $500 to $555 psf, while in Los Angeles and San Francisco costs range from $380 to $400 psf.

  Even though the superior quality of its major teaching hospitals and specialized centers of health care may explain a cost differential over general hospitals elsewhere, costs are rising rapidly in New York. The cost of new hospital construction is up 12 percent per year, while renovation and alteration costs are escalating at roughly six percent per year. Nevertheless, the need to accommodate cutting-edge technology and to keep abreast of conditions in competing hospitals means that expansions and renovations are not deferred, only scaled back if necessary. Volatile material prices, not labor, are considered to be the major cause of escalating hospital construction costs.

Infrastructure[2]

Comprising more than half of all construction spending in New York City, infrastructure projects undertaken by State and local government agencies using their own funding resources and/or intergovernmental aid are implemented by negotiated procurement or low-bid processes. Initially, these projects are identified in capital budgets that typically array maintenance and expansion projects over a five-year timeframe, guided by a strategic plan of action. Agencies estimate future project costs on a labor and materials basis and factor in multi-year rates of escalation that reflect cost trends, labor negotiations and commodity forecasts. For example, in conducting its analysis, the Metropolitan Transportation Authority (MTA) assumes a 10 percent annual increase in labor costs due to the combined effect of prevailing wage increases and a shortage of skilled labor.

MTA Capital Construction: New York Steel Prices



Source: Engineering News Record

The costs of heavy infrastructure projects, such as tunneling, are more affected by workforce issues and government practices and requirements than by material costs. This is because fewer exotic materials and subcontractors are used in infrastructure work, as compared to building construction. In addition, material cost escalation can be handled by change orders, with public agencies assuming the risk of volatility in commodity markets once contractors estimate material costs at current prices.

[2]Given the range of infrastructure projects – from tunnels and roadways to airports and utilities, comparative cost analyses are difficult to produce from year-to-year. The Bureau of Labor Statistics provides an important national indicator of commodity and industry inflation with its preparation of the Producer Price Index (PPI), a companion to the Consumer Price Index (CPI). Historically focused on energy and raw material prices, the Bureau has recently addressed the need for measuring change in the cost of construction by building type. To date, however, only price changes for office buildings, school buildings and warehouses have been tracked on a monthly basis. With respect to infrastructure, the Bureau measures the national cost increase in highway and street construction, which has escalated by 50 percent since 2004. Expansion of the Bureau's program to other building types, as well as to a variety of non-building infrastructure components, would greatly broaden our understanding of cost pressures in the national economy and enhance the ability of policymakers to contain inflationary forces.

On the other hand, demand pressures caused by the extraordinary volume of construction activity have been straining the available workforce, compromising job productivity and efficiency. Increased overtime to meet demand has further contributed to rising labor costs. The shortage of skilled labor, for example, has led contractors to resort to less experienced "B" and "C" teams, when more experienced "A" teams are no longer available, yielding a measurable rise in labor inefficiency. Project management skills have also been stretched thin, allowing less time for, and emphasis on, comprehensive planning at the beginning of a project. In turn, less time and emphasis on the planning stage of a project have affected the timely and accurate procurement, purchase and delivery of materials and services, resulting in less job productivity and increased risk to contractors.

A number of public sector practices and requirements also pose substantial risks to private builders, forcing them to increase bids in order to cover potential costs. The "No Damages for Delay" provision in some public agency infrastructure contracts is an example of the kind of risk private builders account for in their bids. In addition, a public agency's shortage of engineers, unfamiliarity with union rules and regulations and failure to produce complete drawings at the start of work can mean potential lawsuits or years of delay in closing out projects, ultimately translating into added costs.

The consequences of failing to address these kinds of risks can be dire. In years past, heavy construction capacity was reduced by a lack of contractors in New York, as volatility and excessive risk-taking led to the bankruptcy of major contractors.

Avoiding that outcome in the future will require more than risk reallocation and reduced regulatory burdens, such as the relaxation of surety bond requirements, which has already been done to help relieve cost pressures and induce more bidding in New York's robust construction market. Maintaining and expanding infrastructure systems in a world class city will also require more highly skilled engineering-based construction companies that are willing and able to partner with public agencies that have enhanced management and internal design capacity.

Some Potential Solutions

Identifying the key reasons for rising construction costs is the first step in formulating a strategy to address the conditions that threaten important infrastructure and development projects planned or underway, cooling the construction market that has been creating jobs, generating tax revenues and building a stronger, more competitive New York.

An important next step is action by government and the construction industry on potential cost-savings solutions. The City, State and virtually every industry sector has a hand in influencing construction costs and taking steps to control them. To keep the fate of ongoing and proposed public and private projects on the path to completion, sustain a healthy construction market and support the economic growth of New York, action is needed on a wide front.

Land Use

With land costs in New York accelerating more than any other factor, there is a critical need to maximize the use and availability of sites. **Government could expand the supply of land by:**

- **continuing to rezone idle or derelict industrial land,** particularly waterfront and less contaminated sites;
- **promoting remediation of brownfields;** and
- **considering the implementation of vacant land value surcharges** in property taxation.

Procurement

The delivery of public and private construction projects on-time and on-budget begins with effective and fair procurement policies and practices. In particular, procurement policies and practices that promote balanced risk sharing between the owner and general contractor would help stimulate more bidding activity on projects and reduce the number of contingencies that contractors must incorporate into their bids to cover their risk exposure. By increasing the competition for jobs and reducing contingency costs, owners would realize substantial cost savings on projects, ultimately saving taxpayers and shareholders money and assuring the completion of important projects.

Government, private owners and management could create a more balanced risk-sharing environment and advance building faster, smarter and less expensively by:

- **pursuing prompter payments,** which could be accomplished by developing and implementing best practices for processing change orders quickly and efficiently and addressing delays in the close-out process (e.g., have contract documents stipulate that close-out will occur within three months of substantial completion, with damages paid for owner-delayed close-out);
- **reducing or eliminating retainage requirements;**
- **including escalation clauses/indexes for commodities, materials and equipment** in contracts; and
- **lowering performance bond requirements** to 50 percent of payment on jobs of $100 million or more.

Government could also generate significant cost reductions by:

- **requiring quality-based selection for all public agencies, public authorities and public benefit corporations** for the procurement of architectural, engineering and surveying services;
- **issuing mobilization payments to subcontractors** to ensure the availability of adequate cash flow to start the job on time and minimize delay;
- **eliminating "No Damages for Delay" contract provisions;** and
- **incorporating a binding arbitration provision in agency contracts** that provides for the resolution of disputes on jobs with a performance period of one or more years.

Workforce

The backbone of any project is the workforce that makes the dream a reality. Whether design professionals, contractors, subcontractors, project managers or skilled laborers, all are needed at sufficient levels for meeting demand. Maximizing the productivity and supply of the workforce would help satisfy demand, relieving pressure on costs.

Government, private owners, management and labor could enhance workforce productivity and supply by increasing the use of project labor agreements on public and private projects.

Government, private owners and management could also enhance workforce productivity and supply by:

- **exploring partnerships with national and international highly skilled engineering-based construction companies;**
- **emphasizing development of contractor and project management skills;**
- **encouraging construction manager-general contractor relationships** in which large projects are divided into smaller packages;
- **exploring ways to address the high insurance and judgment costs** related to the State statutory imposition of absolute liability on owners, contractors and subcontractors for injuries to workers falling from any height during the construction period; and
- **staggering bid-letting.**

Labor could enhance workforce productivity and supply by:

- **expanding the labor force** through apprenticeship programs and facilitating the movement of new trades-people into the New York area to meet increased demand;
- **promoting a Citywide master labor agreement** for non-residential construction, in addition to the Citywide master labor agreement for residential construction that is currently under consideration by the Building & Construction Trades Council of Greater New York and Building Trades Employers' Association (such an agreement would offer adjustments or changes in work rules for all unions and allow for changes in wage rates on a trade-by-trade basis); and
- **continuing to address work rule and jurisdictional issues**, such as improving the jurisdictional settlement process and reducing the costs associated with the division of labor and "hand-offs" between trades.

Construction and Operations

To keep construction activity flowing, timely decision-making and the coordination of key activities, such as the delivery of supplies and issuance of permits, are essential. **Government could use its executive, legislative and regulatory authority to:**

- **adopt response time requirements** applicable to State and City agencies and the industry for drawings, change orders and approvals;
- **implement congestion pricing** and other traffic mitigation measures;
- **develop an effective program for rationalizing security processes and procedures** in a way that minimizes the impact on workforce productivity and material transport;
- **examine establishment of a regional business command center** for major development projects, in the manner of the Lower Manhattan Construction Command Center, to bundle commodity purchases, marshal material and equipment needs, oversee delivery logistics and serve as a clearinghouse for permits;
- **encourage construction of a concrete batch plant**, possibly on a barge, to ease ready-mix supply constraints and allow larger axle concrete vehicles on City streets;
- **encourage development of assembly facilities** in New York for construction materials fabricated abroad, like the sites in Connecticut for materials imported from Italy and used in New York;
- **make New York City Department of Buildings and Department of Transportation construction permits coterminous with project timing** or expiration of insurance, whichever occurs first, and fine contractors without insurance;
- **support the creation of a public-private joint research center** to test innovations and foster the use of new technologies, such as building information modeling, to achieve greater efficiency and quality of construction; and
- **promote leadership and accountability in public agencies and authorities** by offering competitive salaries to attract the most skilled and experienced individuals to senior executive and management positions.

Effecting Change:

What Everyone Can Do To Reduce Construction Costs

To be effective, a strategy for cost containment and reduction requires even more than an understanding of cost conditions and a blueprint for dealing with them. It requires the commitment to follow through and act on implementing these cost-savings initiatives. It requires partnership. By supporting one another on cost-savings goals, government and the construction industry can work together to make building in New York more attractive and competitive.

new york building congress

The New York Building Congress is a non-partisan public policy coalition of businesses, labor, associations and governmental organizations representing the common interests of more than 250,000 individuals in New York City's design, construction and real estate industry.

new york building foundation

The New York Building Foundation was formed by the Building Congress in 1998 to augment the long-term growth and well-being of the industry through a program of research, educational and philanthropic activities.

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