



**Testimony of LISC NYC
On Intro 18A
NYC Council Finance Committee
Tues, May 11, 2010**

Good morning; my name is Sarah Hovde and I am the Director of Research and Policy for the NYC Program of the Local Initiatives Support Corporation. LISC is a national community development intermediary organization that helps community-based groups to transform distressed communities and neighborhoods into healthy ones by providing capital, technical expertise, training and information. In NYC, LISC has provided over \$160 million in loans and grants and over \$1.5 billion in equity to more than 75 community development corporations (CDCs) and local entrepreneurs, resulting in the development of close to 30,000 units of affordable housing in Harlem, the South Bronx, and Brooklyn.

Intro 18A, as currently written, would require prevailing wages for building service employees in buildings with a wide range of owners and uses – both residential and nonresidential. I am not going to attempt to address the entire scope of the bill's effect; instead my comments are limited to LISC NYC's concerns about the perhaps unintended effect that the bill in its current form would have on affordable housing. For many affordable housing projects that would be affected by the bill (because they receive more than \$10,000 per year in tax benefits), a prevailing wage mandate would present an unsustainable financial and administrative burden which could threaten their very viability.

The majority of the affordable housing that LISC and its affiliate the New York Equity Fund have helped our community-based partners to develop over the years has been formerly city-owned, tax-foreclosed buildings that have been redeveloped using a variety of financing sources, including Low Income Housing Tax Credits and City subsidy. These projects, located in

Brooklyn, the Bronx, and Manhattan, serve families with incomes below 60% of area median income (AMI), and are key affordable housing assets in their neighborhoods, and in a city that has a chronic and severe affordable housing shortage. The majority of the buildings are small (12 units on average), and were originally built over 80 years ago, although they received substantial-to-gut renovation at the time they were re-developed and transferred from city ownership to the current owners. We also work with many of our community-based nonprofit partners to acquire and preserve at-risk federally-assisted housing (i.e. with Project-Based Section 8 subsidies); and a few of our partners already own federally-assisted housing, most typically Section 202 elderly projects.

Since there is currently no prevailing wage established in NYC for building service workers, it is not possible to know exactly what the “prevailing wage” level would be; however we are working on the assumption that it would approximate the contract compensation levels of the major building service employees unions. While LISC NYC’s community-based partners that developed and run the affordable housing I just described do offer their supers, porters and handymen decent, living wages and benefits, these housing projects were not underwritten to support union-scale wage and benefits packages. These projects, whose rents are restricted by regulatory agreements, are already operating on extremely tight budgets, having in recent years seen greater-than-anticipated increases in a number of maintenance and operating costs, including insurance, heating fuel, electricity, and water/sewer charges. Their ability to continue to provide quality affordable housing, while at the same time meeting financial obligations, is being strained.

Placing an additional administrative and financial burden on affordable housing projects, which Intro 18A would do, threatens to undermine the viability of these important housing resources at a time when NYC’s communities can least afford their loss. While we are sympathetic to the intent of the bill -- ensuring decent wages for building service workers – we maintain that the vast majority of workers in the affordable housing portfolio we helped develop are already receiving decent (if not union-scale) wages; and we must oppose the bill in its current form because of the deleterious effect that it would have upon critical affordable housing resources.