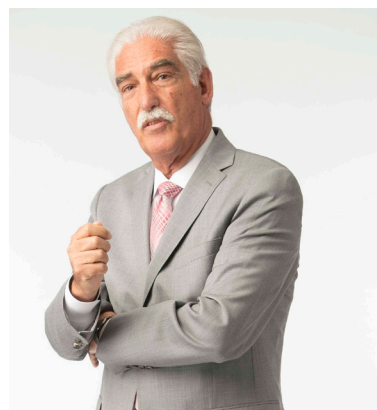


NYC building boom creates new challenges

With construction spending near record levels, New York City's streets are bustling with exciting new projects. The current building boom is the second most robust in the 21st century, after the market in 2016, according to the New York Building Congress. Government infrastructure projects, like mass transit, roads and bridges, are expected to increase to \$23 billion in 2019 and \$24 billion in 2020. Among those projects, federal public works projects are projected to hit \$1.2 billion in 2019 and \$1.3 billion in 2020. Meanwhile, MTA projects are expected to reach \$7.9 billion in 2019 and \$8.5 billion in 2020, and Port Authority projects should reach \$2.9 billion in each of the 2019 and 2020 years.

However, some areas are seeing a slowdown. Nonresidential construction, including office buildings, institutional projects, hotels and government buildings, is expected to drop to \$30.4 billion in 2019 and \$23.4 billion in 2020 down from \$39 billion in 2018. Residential construction will rise from \$14 billion in 2018 to \$15 billion in 2019 but then dip to \$10.6 billion in 2020, according to current estimates.

To gain insight into the current landscape, Crain's recently spoke with Louis Coletti, president and CEO of the Building Trades Employers' Association (BTEA).



Louis J. Coletti
President and CEO,
Building Trades
Employers' Association
(BTEA)

Q Crain's: Insurance costs for the construction industry in New York City are the highest in the country. What could be done to reduce them? How does NY Labor Law 240, known as The Scaffold Law, come into play with construction costs?

A Coletti: There are two things needed. One, repeal of the 240 Scaffold Law and two, reduction of Workman's Compensation rates.

New York is the only state in the nation that has the Scaffold Law, which was established in the 1890s. The New York courts have interpreted the Scaffold Law to

impose a standard of absolute liability on all building owners and contractors.

In real dollars, because of this law, insurance costs in NYC are \$33-\$41 per square foot as compared to \$5-\$10 per square foot in New Jersey and Connecticut. New York is no better when it comes to Worker's Compensation rate costs. A recent national report shows that New York has now surpassed California as having the highest Worker's Compensation rates in the nation at \$3.08 per \$100 of payroll or 181% of the study's median rates.

Q Crain's: The high cost of public construction has left the New York City Metro Region with a crumbling infrastructure. Based on your experience, what could be done to reduce the costs?

A Coletti: Over the years, New York City and New York State's public agencies have added provisions without looking at which ones could or should be eliminated. These contract provisions and the lack of flexibility related to public procurement and contract management processes are costing taxpayers money. Some of these provisions include failing to pay contractors on a timely basis, delays approving project change orders and paying for them, and a cap on general conditions or incomplete or design changes to the project from the original set of drawings. Contractors must include in their bids estimated premiums for any or all of the above provisions. If they do not, they run the risk of losing money and/or bankrupting their companies on a single project. Of course the public is entitled to a transparent process. There is a middle ground that would benefit all parties but reform has to be a top priority.

Q Crain's: The pace of construction in New York City, while down a bit from 2016, is still near record levels. The amount spent on construction in 2017 was the second highest in New York City history. How are construction companies adapting to keep up with the continuing demand?

A Coletti: Construction companies are constantly looking to grow their company staff with a new and diverse workforce to keep up with market conditions and to plan for the future. The industry is active in New York City high schools and colleges, with programs that talk about what engineers and project management and support staff

do in order to interest our youth at an early age in the industry, as well as having aggressive recruitment programs at local and national engineering colleges. On the trade labor side, BTEA contractors have partnered with organizations like Construction Skills and the 14 New York City vocational high schools; the Helmets to Hardhats program, which hires returning veterans; and the Nontraditional Employment for Women program in an effort to expand the diversity of the construction trade workforce.

Q Crain's: New York is known to have high labor costs. What can be done to keep them in check?

A Coletti: Over the last few years many individual building trade unions have reduced costs by adopting cost reduction measures like: new entry-level job classifications with lower wage and benefit levels, the ability to use "blended rates" on crew sizes, eliminating unproductive rules and the use of other strategies to reduce costs in the residential market and other markets on a project-by-project basis. Cost-reduction terms and conditions like these should be adopted for projects in every market sector. They can be done in such a way where current employees are protected and the new provisions can apply to newly recruited workers. BTEA contractors continue to make every effort to work with our building trade union workforce to achieve these goals because they remain the most highly trained, most productive and safest workers in the New York City construction industry. ■

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About the Building Trades Employers' Association:

The BTEA represents 25 contractor associations and 1,200 construction managers, general contractors and subcontractors with collective bargaining agreements. In 2018, BTEA contractors estimate they have \$50 billion in construction revenue in private and public construction.

Louis J. Coletti
President
& CEO

BTEA
THE ASSOCIATION OF
NEW YORK'S LEADING CONTRACTORS

BTEA Contractors are the safest builders in New York City according to statistics from the NYC Buildings Department and Federal OSHA Officials:

- 80% of Construction Fatalities
- 81% of Construction Accidents
- 65% of Stop Work Orders
- 64% of Accident Related Violations

are on projects not managed or built by BTEA Contractors.

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