



AGENDA MATERIAL

DATE 6-22-21

ITEM NO. RA 31

VIA EMAIL

June 21, 2021

Chair Sharon Bronson
Hon. Rex Scott
Hon. Matt Heinz
Hon. Steve Christy
Hon. Adelita Grijalva
130 W Congress St
Tucson, AZ 85701

RE: Pima County Construction Prevailing Wage Discussion

Dear Chair Bronson and Supervisors,

On behalf of the Arizona Multihousing Association (AMA) we wish to express our opposition to a Prevailing Wage Ordinance that was scheduled for discussion and possible action at the June 22nd Board of Supervisors regular meeting. The AMA represents owners, operators, developers and over 290,000 rental units across the state of Arizona.

For reasons unknown to the public, it appears the item will not be discussed at the June 22nd meeting. Nonetheless, the AMA wishes to express its concern on the item.

First, the County does not have the legal authority to adopt a local Prevailing Wage Ordinance as the state has very clearly prohibited all political subdivisions from adopting any regulation or ordinance that requires public works contracts to contain a provision requiring the wages paid by the contractor or any subcontractor to be not less than the prevailing rate of wages for work of a similar nature in the state or political subdivision where the project is located. *See* Ariz. Rev. Stat. § 34-321.

Second, setting aside our legal concerns, a Prevailing Wage Ordinance will have very serious ramifications on the County's affordable housing initiatives.

As many jurisdictions across the state, including the County, contemplate ways to address the state's widening affordability gap, we believe adopting ordinances or regulations that potentially add considerable costs to housing construction undermine these goals and initiatives. A local Prevailing Wage will make housing more expensive to build, ultimately widening the affordability gap for all Pima County residents. In fact, the county can look to other communities that have adopted similar ordinances.

For example, in one prominent study (attached), University of California-Berkeley Program on Housing and Urban Policy, researchers studied the effects of California's Prevailing Wage laws on construction costs of low-income housing. The research noted the following:

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- “Since prevailing wage rates are almost invariably higher than market wages, the new law may significantly increase construction costs in affected projects, perhaps to the point that they will no longer be financially feasible.”
- “Econometric evidence based on micro data covering 205 residential projects subsidized by the California Low Income Housing Tax Credit since 1996 and completed by mid-2002 demonstrates that construction costs increased substantially under prevailing wage requirements. Estimates of additional construction costs in the authors’ most extensive models range from 9% to 37%.”
- “We have presented the first systematic evidence showing the effects of prevailing wage requirements on the costs of constructing low-income housing. . . . *Ceteris paribus*, low-income housing projects were significantly more expensive if developers were required to pay prevailing wages.”

As the state inches closer to what could be a significant economic downturn due to the COVID-19 pandemic, and when new housing construction may drop considerably in the next few years, the county should be extra cautious of anything that could result in fewer housing units brought to market. It is for these reasons that the AMA opposes the adoption of a Prevailing Wage Ordinance.

Please let me know if you have any questions.

Sincerely,

Lauren Romero

Tucson Area Association Executive

Arizona Multihousing Association