



Tuesday, March 19th, 2024

Chair Becker-Finn and House Judiciary Finance & Civil Law Committee Members –

On behalf of the Associated Builders and Contractors of Minnesota, a statewide organization that represents 340 merit shop construction industry members and their 20,000+ employees, we request a **NO** vote on HF 4569. Our local contractor members, and the men and women that they employ, are part of the 75% of the construction industry in Minnesota that choose to be merit shop craft professionals. Our members are located throughout Minnesota and build our schools, multi-family housing, retail and commercial spaces, medical facilities, energy, and other critical infrastructure, and much more.

ABC promotes free enterprise and fair and open competition in the construction industry, in which anyone can succeed based on merit. We oppose violence, coercion, intimidation, and the denial of the rights of both employees and management, and we believe that work opportunities should be made available to all people, regardless of labor affiliation. ABC does not condone wage theft and we believe that all workers deserve to be paid the wages that they have earned.

Our opposition to this bill stems from the requirement in Section 1, which would require prevailing wage to be paid on multifamily housing projects with 10 units or more that benefit from low-income housing credits. These are projects that are funded with otherwise private dollars, and such a mandate will limit competition and increase the cost of construction, resulting in higher overall project costs. There are numerous studies that show that prevailing wage mandates increase the cost of construction. In fact, a study from the California Coalition for Affordable Housing found that prevailing wage requirements on affordable housing increased total projects costs by an average of 11%. More important than any study is the experience of our local Minnesota ABC contractors, who have reported increased bid costs due to various prevailing wage mandates, oftentimes with a cost increase of at least 10-15%. Increased development costs will result in increased rents, which is counterproductive to the goal of making housing more affordable.

Not only will this requirement do nothing to prevent wage theft, but it will also have the adverse impact of driving up the cost of multi-family housing, making affordable housing more expensive for those who need it most. This requirement will also result in fewer contractors building low-income housing, opting instead to build market rate multi-family housing units where they can pay market-based wages. Rather than enacting policies that make it more difficult for high-quality, local contractors to compete, the State should be encouraging policies that promote fair and open competition in the construction industry.

We respectfully request that the committee vote to remove the prevailing wage mandate from HF 4569.

Sincerely,

Jon Boesche
Director of Government & Public Affairs
Associated Builders and Contractors MN/ND Chapter