

Project Labor Agreements and Affordable Housing Production Costs in Los Angeles



Revisiting the Effects of the Proposition HHH Project Labor Agreement Using Cost Data from Completed Projects

History

This report presents results from an updated RAND study conducted in 2021. The 2021 report assessed how attaching a Project Labor Agreement (PLA) to a local proposition, Prop. HHH, a publicly funded initiative meant to create supportive housing projects in Los Angeles, would affect cost. At the time of the 2021 report, virtually no HHH-funded projects were completed.

Purpose of the Study

This study presents updated estimates of the causal effects of a PLA attached to Proposition HHH in Los Angeles. The PLA required the use of virtually 100 percent union construction labor on projects seeking funding if they comprised of 65 units of affordable housing or more. This report updates its findings on the cost effects of the HHH PLA by using actual TDC data for completed projects that have been placed in service.

Key Findings

- After accounting for project characteristics, the actual total development costs of projects subject to the HHH PLA were \$92,700 (21 percent) higher, on average, than non-PLA, HHH-funded comparison projects that had an average cost of \$585,000 per unit.
- For smaller, HHH-funded projects not subject to the PLA, actual total development costs per unit were \$8,000 lower than estimated costs on average, while actual total development costs per unit for HHH-funded PLA projects were \$25,000 higher than original cost estimates on average.
- Estimates indicate that HHH-funded PLA projects took 8 months (27 percent) longer to complete on average than similar non-PLA projects that were completed in an average of 2.5 years.

Conclusion

The results of the RAND study prove that attaching a PLA to a publicly funded project increases costs and adds additional time to the completion of the project resulting in less housing production at a time of dire need. With valuable taxpayer dollars on the line during this time of economic shortfall, lawmakers should be informed of the quantifiably significant consequences related to PLA mandates. State policies should reject the unnecessary costs associated with mandating the use of PLAs on publicly funded projects. ABC CA strongly encourages lawmakers to seek further education on all the detrimental impacts of PLA's, while simultaneously understanding the benefits of encouraging the use of merit-based construction employers for wide-scale public projects.

Contact

For questions related to this study or ABC CA, please contact our legislative representative, Michelle Rubalcava.

Michelle Rubalcava

Partner, Nielsen Merksamer Parrinello Gross & Leoni LLP

(916) 446-6752

mrubalcava@nmgovlaw.com