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## Summary:

Portland and the Metro regional government each have passed affordable housing bond measures since 2016. As the price tags come in, people are asking, “Why is affordable housing so expensive?” One of the many answers is that prevailing wage laws increase expenses while shutting the most vulnerable workers out of jobs.

Word Count: 677

**““...Oregon’s Bureau of Labor & Industries requires construction firms to pay wages that are in line with union wage rates on public construction projects—even if the workers are not represented by a union.”**

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## Why Is “Affordable Housing” So Expensive?

*Prevailing wage laws disadvantage minority and low-skilled workers and reduce affordable housing*

By Vlad Yurlov

Why is “affordable housing” so expensive? Many politicians, bureaucrats, and affordable housing advocates treat the question as one of life’s many mysteries. But it’s really not that mysterious. Many regulations governing public projects add up, piece by piece, to affordable housing’s staggering price tags.

In 2019, [Blue Sky Consulting Group released a detailed analysis](#) of affordable housing construction in Oregon. Researchers studied the construction costs of more than 100 affordable housing projects approved by Oregon Housing and Community Services between 2000 and 2018 and found a median cost per unit of \$224,000 (in 2019 dollars). More recently, the City of Portland is building projects that cost an average of \$300,000 per unit.

In contrast, [apartment appraisal specialists, Barry & Associates](#), found that the median price of an apartment in the Portland Metro area was just \$166,000. How did building affordable housing get so expensive? One reason is that the use of taxpayer money triggers many requirements that private developers don’t have to deal with. One of these is what is known as prevailing wage.

[Prevailing wage laws](#) apply to “public works” such as construction, reconstruction, and renovation of projects that “serve the public interest” such as affordable housing. [Blue Sky Consulting Group](#) found that using either federal or state prevailing wages adds 9% to the cost of new affordable housing projects in Oregon. Yet, Oregon’s Bureau of Labor & Industries requires construction firms to pay wages that are in line with union wage rates on public construction projects—even if the workers are not represented by a union. These rates tend to be higher than the average wage and can be much higher than non-union wage rates. As construction costs skyrocket closer to union rates, less housing can be built for the same amount of money.



Proponents argue that without a prevailing wage requirement, public spending on construction projects would undercut local wage standards in a “race to the bottom.” But [21 states chose not to create statewide prevailing wages](#), and higher wages are of no use to workers who have been shut out of a job. Raising the wages that construction firms can pay workers forces minority and low-skilled laborers out of many job opportunities, because high wages push contractors to hire mostly skilled workers. [Federal studies state](#), “[l]ow-skilled working Americans are also more likely to be minorities” and therefore at the highest risk of being cut from a job.

Before prevailing wage laws, white unions complained that African Americans were stealing their business by working for more affordable prices. The [Davis-Bacon Act of 1931](#) tipped the scales by requiring most federally funded projects to pay prevailing wages. This effectively shut out many minority or low-skilled workers from working on federal projects.

Oregon created its own version of the Davis-Bacon Act in 1959. Cities such as Portland must regularly apply these wages to millions of dollars in public construction that goes on each year. For instance, Portland Clean Energy Fund (PCEF) pays prevailing wages, because staff see them as a “... key opportunity to build wealth in communities and groups historically excluded from the clean energy workforce.” Yet, [a memo from PCEF staff](#) admits “there are many unknowns” about how many contractors have the capacity to build using prevailing wages. They ask themselves, “[b]y requiring [prevailing wage rates], are we handicapping or locking out smaller, diverse contractors from participating and growing...?” This clearly shows that there likely are harmful consequences to prevailing wage laws that need to be addressed.

When prevailing wages are applied, other state goals—such as equity and affordable housing construction—suffer. Prevailing wage laws limit the ability of minority and low-skilled workers to enter the construction workforce by limiting the pool of contracting firms to those that can afford to bid on projects. Prevailing wage laws don’t protect local markets from deflating wages. They squeeze out young and minority workers from employment on public projects. If Portland elected officials are serious about promoting racial equity and lowering the cost of housing, they should ask the state legislature to repeal Oregon’s Davis-Bacon law.

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