



Housing Alliance  
of Pennsylvania

## Housing Alliance Survey Finds Contractor Shortage Across the State; Documents Emerging Practices to Attract and Incentivize Contractors

### *Purpose*

Through an electronic survey disseminated to our network, the Housing Alliance of Pennsylvania sought to understand:

- The prevalence of a lack of contractors to complete government funded or subsidized home repair and / or new housing construction in communities across the state;
- Perspectives on the reason(s) for any local lack of contractors for government funded or subsidized housing projects;
- The extent to which local housing program administrators have identified ways to attract and / or incentivize contractors.

Survey respondents are local housing program / project administrators in their local communities that seek contractors to complete government funded or subsidized home repair and construction projects. Administrators include those employed by local government, nonprofit organizations, housing developers, housing and redevelopment authorities and others. A large number of respondents were also responsible for delivery of the state Whole Home Repair program in their local county.

Any mention of a contractor shortage in this paper refers to a shortage of contractors that will bid on and / or accept government funded or subsidized home repair and construction projects and not an overall contractor shortage for privately funded projects.

### ***A shortage of contractors for home repair and new housing construction is a problem all across Pennsylvania for multiple, intertwined reasons***

**All respondents representing almost every county in PA said they experience contractor shortages in every county in which they work on home repair and / or new housing construction.**

This is not solely a problem in rural communities but in suburban and urban Pennsylvania too.

**There are multiple, intertwined reasons for local contractor shortages including the inability to meet state prevailing wage requirements especially for smaller contractors.**

62.3% of survey responses indicated that the local contractor shortage is due to the difficulty in meeting prevailing wage requirements AND other reasons.

### ***Perspectives on the Reasons for a Shortage of Contractors***

- **Local contractors are not available due to existing commitments.**

Respondents pointed out that the ratio of available contractors to the volume of work required is a significant issue.

If schedules are already full, contractors have no incentive to work with government programs.

- **There is a shortage of contractors willing to work with government programs.**

Participants report that local contractors are concerned with slow payments from government programs that will affect their cash flow.

Some contractors have also expressed reluctance to work with government programs due to concerns about competitive bidding processes.

- **The scale of many smaller home repair projects is too small for local contractors** when considering projects because of the additional paperwork, compliance reporting, and strict program requirements.
- **A broader labor shortage, especially of skilled tradespeople, is a challenge in some communities although this was not cited as a primary challenge.**

Other noted, but less common, issues include the consequence of delays in obtaining materials and the rising cost of materials. These were cited as reasons for contractors being unable to accept new projects, leading to project backlogs.

#### **EXAMPLE:**

*“We typically only get one bidder (two if lucky) for our regular home repair program.*

*Contractors tell us that they do not bid because of the general difficulty of administering home repair projects, especially when each project has a limited scope.*

*There is an overall demand for contractors in the current market which does not provide an incentive and leads to reluctance of contractors to take on numerous smaller projects as opposed to larger, more straightforward contracts.”*

## Keeping Projects Under the \$25,000 Threshold that Triggers Prevailing Wage

Due to prior difficulties in attracting contractors, many program administrators keep projects under the \$25,000 threshold that triggers prevailing wage.

### EXAMPLE:

*"It is becoming increasingly difficult to even get bids below that threshold now, which means we are forced to rebid and delay projects.*

*If we can keep it under threshold, then we run the risk of decreasing project scope and effectiveness - for example, in the Whole Home Repair program, we may be forced to tackle less repairs than what are actually needed per household unit."*

### EXAMPLE:

*"We advertised for an RFP for contractors to provide commitments to complete work under the Whole-Home repair program.*

*The RFP was sent out to over 40 local and regional contractors and was additionally advertised in the local newspaper.*

*Despite our outreach, not a single contractor submitted a proposal.*

*As a result of this, we will be bidding out single jobs to our current contractor pool with the \$25K rehab project cap. While not ideal, this approach will allow us to begin spending the allocation."*

Many respondents cited the challenges especially for smaller contractors compared to large companies. In some communities, there are no larger or unionized contractors. And if there are, the smaller scale of some projects is not enough of an incentive for those contractors that could manage prevailing wage requirements.

## STRATEGIES TO MITIGATE CONTRACTOR SHORTAGES

### EXAMPLE:

*"There are some projects that we have not been able to move forward with due to a lack of bidders. Many smaller contractors are not accustomed to working with prevailing wage requirements and therefore they do not bid on our projects.*

*At the same time, the larger local contractors that are accustomed to working with prevailing wage requirements think that our projects are too small to bid on."*

Various strategies have been employed to address the lack of contractors willing and able to meet prevailing wage requirements.

### 1. Outreach, Networking, and Partnerships

- Organizations have undertaken extensive outreach activities, including creating and distributing flyers within communities, hosting workshops, and publicizing programs in multiple counties

through various channels such as websites, radio, and newspapers. They have also attended conferences and utilized online searches to identify potential contractors.

- Collaborative approaches involve partnering with other organizations, such as community associations, builders associations, chambers, and technical schools, to expand contractor networks. Engaging municipal partners for joint recruiting events has also been attempted.
- Efforts to build long-term relationships with contractors through personalized communication, direct outreach, and providing opportunities for contractors to connect and share experiences have been undertaken.

## 2. Simplified Bidding

- To reduce administrative burdens, some organizations have simplified their bidding process, allowing for quicker responses from contractors.
- Some organizations have waived the requirement for a certain number of bidders.

## 3. Upfront and / or Accelerated Payments

- Providing incentives like upfront payments to contractors has been explored to mitigate initial costs and improve contractor engagement.
- Some have also adjusted payment schedules to facilitate cash flow and encourage participation.

## 4. Allowing for Multiple, Specialized Contractors

- Splitting projects among multiple specialized contractors has been adopted to match expertise with project needs, facilitating more efficient work completion.

## 5. Training and Education

- Initiatives like offering lead classes and training programs for certified renovators have been considered to attract contractors and enhance their skill sets.
- Some organizations are working closely with career and technical schools and workforce development programs to provide training to potential contractors and encourage more individuals to enter the field.

### EXAMPLE:

*“We remove as much overhead and administrative burden as possible for (general contractors) GCs. A main way is with a very simplified and easy bidding process. We limit construction on a project to no more than 8 weeks, and pay contractors every 2 weeks.*

*For prevailing wage, we are trying to see if there is a software service at an affordable price to help GCs and subs easily prepare and submit accurate Weekly Payroll Certification reports. The ones we’ve found are very expensive given the tight admin amounts, and are geared to large construction projects (e.g. roads and large new construction) where there are often many tiers of subcontractors.”*

## **SUMMARY**

While the purpose of this paper is not to explore challenges to meeting state prevailing wage requirements, further exploration is needed to determine ways to remediate the burden of compliance especially but not limited to small contractors.

Because survey respondents indicated that the problems contributing to the contractor shortage from their perspective are multiple and intertwined, strategies need to be explored further for possible replication at greater scale and adapted to local needs and individual programs. It should be noted that almost half of respondents when sharing their attempted strategies indicated that the strategies had not necessarily been successful and / or there was a significant burden on staff time to implement the strategies.

The contractor shortage is a persistent challenge to home repair and new housing construction. We are committed to finding better strategies and solutions.