

COVER STORY

DISUNION IN THE HOUSE

A federal indictment against a Philadelphia union paints a chilling picture, but will

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As Robert Reeves looked at the burned and vandalized site of a Chestnut Hill Quaker meetinghouse his company was constructing, he tried to explain to a Philadelphia police detective what he says has been 60 years of history involving intimidation and violence by the city's building and trade unions against his family's business.

"I got into a discussion with a police detective who said he had grown up in Philadelphia and was not aware of all the violence," Reeves said, recalling the December 2012 incident. "So I went through the history with him. He was surprised. He asked if I was reluctant to speak to him because he was union as well. And I said yes because I'd been through it before. I grew up hearing about it at the dinner table from my father."

Reeves is the third generation in his family to own and operate general contractor E. Allen Reeves, which has been at the same location on Old York Road in Abington for the past 98 years. His three children are now working at the company, which specializes in projects for nonprof-

its such as hospitals, churches, schools and museums.

When Reeves joined the company in the late 1970s, he was on a work site in Willow Grove when, he said, a union member fired a shot from a rifle in his direction.

"It wasn't meant to kill but to scare," Reeves said. "We drove over there and saw them and they still had the rifle so we turned around and left."

The 2012 incident in Chestnut Hill is listed in an indictment by federal prosecutors in Philadelphia of 10 members of the Ironworkers Local 401 on charges of participating in an alleged conspiracy to commit extortion, arson, assault and destruction of property in order to force construction contractors to hire union ironworkers. The indictment has also shone a light on what many see as a significant regional problem.

Non-union contractors say union violence and intimidation is a way of life at their work sites but several declined to speak on the record out of fear of retribution. This has left many to wonder what kind of an economic price the region pays for perceived, historical indifference by local authorities to this alleged behavior and what can be done to effect change.

Pat Gillespie, business manager for the



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Philadelphia Building and Construction Trades Council, said he does not condone the behavior attributed to the Ironworkers but also called the indictment filed by the U.S. Attorney's Office in Philadelphia "sensationalized" and "unconscionable."

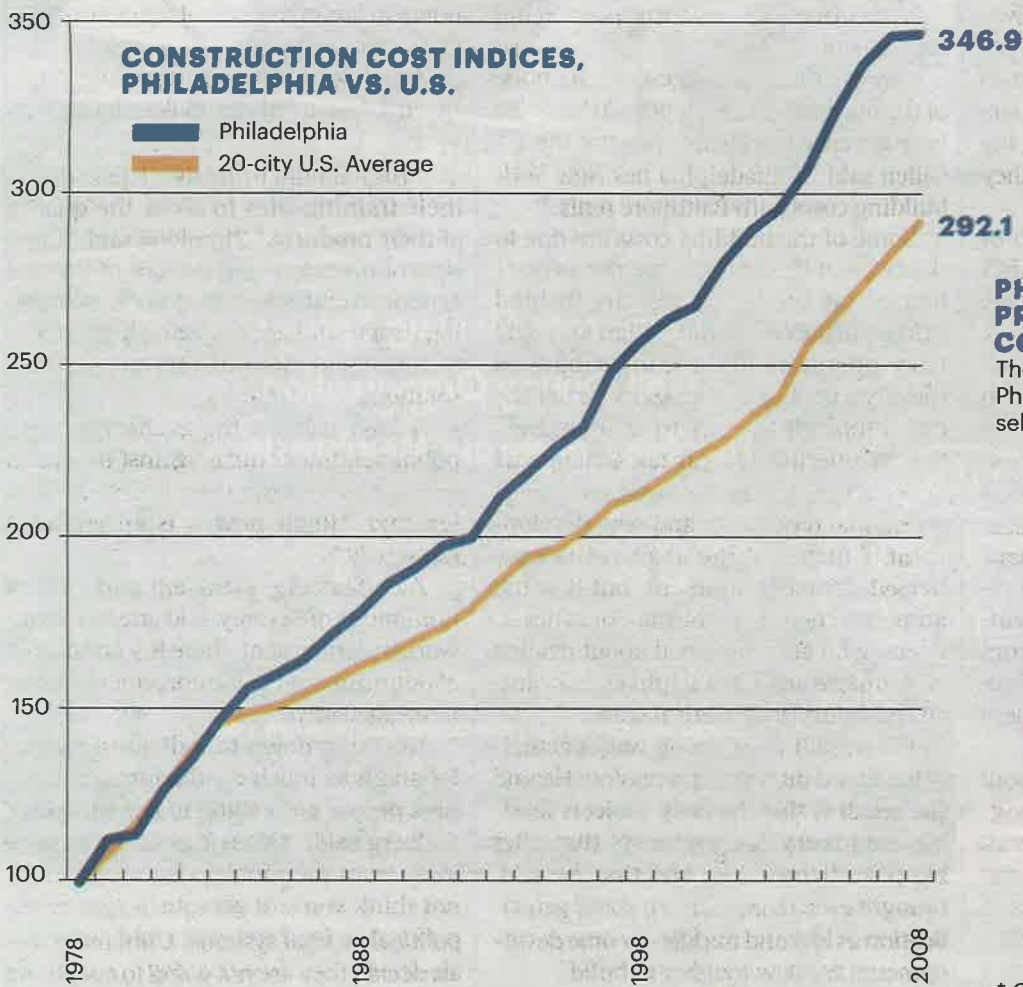
"It compared the Ironworkers to a RICO organization, like they are some sort of crime operation," Gillespie said. "The

only time people are interested in what we are doing is when something like this happens."

When asked about alleged intimidation and harassment by union members at non-union work sites, Gillespie said, "One person's First Amendment rights is another's harassment."

Gillespie said the building and trades unions are going to respond to the bad press they have received by "letting people know all the millions we contribute to charity and how we train the best workers."

New Jersey State Senate President Stephen Sweeney, a Democrat from Gloucester County, was tapped to lead the Iron-



PHILADELPHIA HOUSING PRICES VS. HOMEBUILDING COSTS

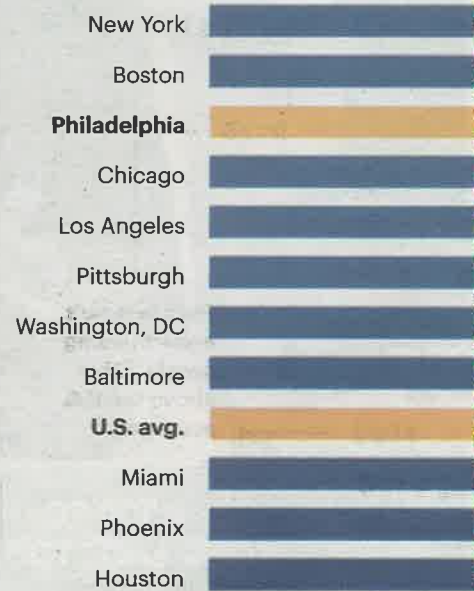
The average cost of building a home in Philadelphia is more than what you can sell or rent it for.



* Costs do not include land, taxes or fees.

AVERAGE HOMEBUILDING COSTS (\$/SQ. FT.)

Philadelphia's construction costs are among the highest in the nation.



COVER STORY

THE STEEP PRICE WE PAY

it lead to a change in perception of the region as a hostile place to build and grow?



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Committee of Seventy



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WALLY ZIMOLONG,
Philadelphia construction lawyer

workers Local 401 in the wake of the indictment. He said he has terminated all of the officers and promoted four new ones to run daily operations in an effort to repair the union’s reputation.

“We don’t have to do that to win work,” Sweeney said. “We will win work the old-fashioned way. We are entitled to free speech. But if it crosses a line. ... You can’t get into physical violence. You can say they pay substandard wages. It’s common sense. You should know when you are crossing a line.”

THE PROBLEM

Philadelphia is often described as a union town. There are no laws in place saying developers and contractors have to hire union labor. But union leaders are known for going to non-union work sites and aggressively pushing for their members to

be hired and resorting to tough tactics until that happens. And many believe the city is hurt by this environment.

“The city pays a financial price from having to pay higher than market rates for labor,” construction lawyer Wally Zimolong said. “And there is also public perception price. ‘That’s the way things are done here.’ And developers not familiar with Philadelphia often choose not to build here. Look at the [Pennsylvania] Convention Center. We lose conventions because exhibitors do not want to navigate through the rules of the different union trades. It winds up tripling the price and taking up a lot of time. So they don’t come.”

Mary Tebeau, president and CEO of Associated Builders & Contractors’ (ABC) Eastern Pennsylvania chapter, a trade association for non-union contractors, said there is an overall culture in Philadelphia where authorities respond to union violence with indifference.

When reading the 49-page Ironworkers indictment, Tebeau said she wondered how many incidents were not included. ABC has more than 450 company members who regularly complain of incidents such as slashed tires, broken windows and oil and grease thrown in front of work sites. But, she said, the activities described in the Ironworkers indictment were on another level.

“I get calls a few times a week about incidents,” Tebeau said. “I cannot imagine how many don’t call after incidents. It all comes down to what happened and how soon they need to get the job done. Sometimes it’s easier to replace your tires and get things going again than to file a police report. The culture of looking the

other way is probably why these things escalate and why contractors just assume this is the way things are.”

Kevin Gillen, an economist with the University of Pennsylvania’s Fels Institute of Government, said Philadelphia is tied with Chicago in having the fourth-highest construction costs in the country, behind New York, San Francisco and Boston. He said that would not be a problem if home prices or rents corresponded but they do not.

“We are the sixth-largest city yet none of the big national developers do business here because the yield is just not there,” Gillen said. “Philadelphia has New York building costs with Baltimore rents.”

Some of the building costs are due to the fact that Philadelphia has the second-highest tax burden of any city (behind Bridgeport, Conn.). But Gillen also said labor premiums and the inflexibility of the city’s unions pushes work out of the city. Philadelphia has tried to address this by offering 10-year tax abatements designed in the late 1990s to encourage residential renovation and new development. Gillen said the abatements have helped drive development, but it is not attractive enough to draw national developers, who are concerned about dealing with unions and Philadelphia’s convoluted regulatory and political scene.

Gillen said most union wages actually increased during the recession. He said the result is that the only projects feasible are luxury developments that offer big potential returns. And that, he said, brought even more concern about gentrification as low and middle-income developments are now tougher to build.

But the issue in Philadelphia does not

revolve around the size of the union contingent here. According to the U.S. Bureau of Labor Statistics, union membership fell nationally in 2013 to its lowest level in 97 years. The percentage of construction workers in unions in Pennsylvania (24 percent) is higher than the national average (14 percent), it is lower than in New York (25 percent), which does not have the problems Philadelphia does with alleged violence and intimidation (See Natalie Kostelni’s story on Page 6).

“New York and Boston unions will work with you in good faith,” Gillen said. “Some projects are mixed.”

The unions and their advocates in Philadelphia argue that while they might charge more than non-union contractors, the quality of their work is also better.

SOLUTIONS

There are many ideas on how to rectify this issue. The Pennsylvania House of Representatives recently passed a bill that would close a loophole in the state’s criminal code that exempts those involved in a labor dispute from being charged with harassment, stalking and related offenses.

Matt Pestronk, president of Post Brothers, which went to war with the unions in 2012 for not using union-only labor for its conversion of the former Goldtex building into apartments, said it simply comes down to law enforcement being instructed to enforce the law.

Zimolong agreed but also said organized labor needs to make changes as well.

“They should bring developers out to their training sites to show the quality of their products,” Zimolong said. “Construction workers are the last of the real American craftsmen. They are hardworking people and are not being led well.”

Gillen said there are no real legislative solutions.

“I don’t really see things changing until public sentiment turns against them and they have to reform their practices,” Gillen said. “Right now it is an enforced monopoly.”

Zach Stalberg, president and CEO of Committee of Seventy, said after the Ironworkers indictment, there is some degree of optimism that law enforcement will be more aggressive.

“It comes down to individual behavior and how much contractors and business people are willing to put up with,” Stalberg said. “Often it is easier to turn away from the problem because you do not think you will get satisfaction in the political or legal systems. Until individuals decide they are not going to cooperate with this system, things won’t change.”

