

Affordable Housing Push Persists Despite Elevated Costs

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Nicholas David and Peter Lotfalla, attorneys in Troutman Pepper Locke's Construction Practice Group, were quoted in the April 27, 2026 *Law360* article, "[Affordable Housing Push Persists Despite Elevated Costs.](#)"

- ... Nicholas David, a construction partner and managing partner of the New York office of Troutman Pepper Locke LLP, said that when putting together bids for clients, they are finding project costs to be at least 2% to 5% above what inflation alone suggests they should be. Both attorneys also noted there are regional differences, with coastal urban markets facing more cost pressures.
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- "I think the expectation was that as people got more predictability around some of the tariffs and where we were going with that, that prices would come down," said Peter Lotfalla, who is also a New York-based construction partner at Troutman. "And what ended up happening is that maybe we're out of the era of wild price spikes, but now, the prices are just sticking."
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- Tariffs and supply chain adjustments also have disrupted paths to solutions when design changes are ordered or sought to trim costs, Troutman's David pointed out.

"It just made [the] value-engineering process more complicated, more uncertain, and I think there's a little bit more of a rollercoaster occurring on the material side for developers," he said.

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- "I think, just like we've seen at the grocery store or at department stores, suppliers and companies and manufacturers have said, 'These new prices are here to stay,'" Troutman's Lotfalla said.
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- "There's so much demand, especially for heavy electrical equipment and things of that nature," Lotfalla said. "The prices for those are just very high."
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- In New York City, 485-x, the Affordable Neighborhoods for New Yorkers Tax Incentive program, was adopted in 2024 to incentivize new construction and conversions to create affordable multifamily units, but the impact of wage requirements for projects with more than 99 units has resulted in few projects passing that threshold, Troutman's David and Lotfalla pointed out.
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- "There's only so much tariff risk that you want to downstream, because you don't want to overpay for something that ultimately gets rescinded or changed," Troutman's David said. "So, there are some considerations to be made, but the best strategy seems to be to make sure it's transparent what's included and what's not, and to the extent it's not going to be included, there needs to be a transparent process and an obligation to demonstrate the actual cost of the tariff, if any."

David said part of that has involved making contracts more rigid and eliminating contractors' ability to come back and ask for more money if they have not complied with the procurement plan, but he and others also spoke about being open to different approaches and focusing on the partnership aspect.

"You go into a five-year project with a construction firm, and it's really a joint venture. You're doing this together, you want to make sure that the parties succeed together, and so being too zero-sum-minded doesn't always pay the best dividends for the project as a whole," he said.

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- "What [developers are] looking for is more effective public-private partnership, more of these abatement entitlement programs, more of government helping to have these projects pencil out and make some of these projects possible," Troutman's Lotfalla said.

He pointed to incentive programs New York City has launched in recent years to promote the conversion of less desirable office space to residential.

"It's not like the city is assisting with material costs, but it's about cutting the red tape," he said.

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