

# DAVIS-BACON WAGE RATES

APPLICABILITY FACTORS

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## CDBG

- ◉ Section 110 of the Housing and Community Development Act of 1974 determines the extent to which Davis-Bacon wage rates apply to construction activities.
- ◉ It state in part: ➡



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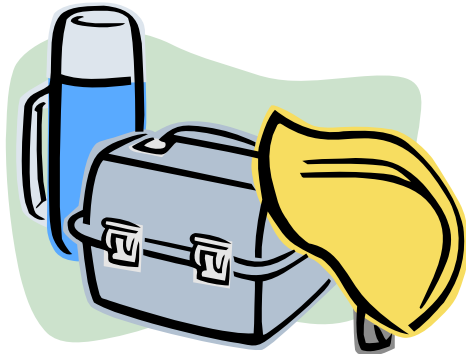
- ... provided, that this section shall apply to the rehabilitation of residential property only if such property is designed for residential use for eight or more families... ➡



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- ◉ HUD has a Dept of Justice ruling stating that the requirement for payment of prevailing wages only when federal funds are used to pay for “construction work.”



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- ◉ Remember that construction financing may not only be limited to the act of paying for the construction work directly.
- ◉ using CDBG assistance to pay the interest charged or
- ◉ Using CDBG funds to provide permanent financing (take-out loan)

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- ◉ However, because of the DOJ ruling, the following CDBG activities or “soft costs” do not trigger Davis-Bacon requirements:
  - Real property acquisition,
  - Purchase of equipment, (13% ruling regarding installation expenses)
  - Architectural and engineering fees
  - Other services (legal, accounting, construction management), and

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- Other non-construction items (furniture, business licenses, real estate taxes, and/or tenant allowances for such items).





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- Examples of “non residential” properties that may have less than 8 units, but trigger DBRA include:
  - Conversion of a single family residence for transient use
  - Conversion of a 2 unit townhouse for commercial use as a doctor’s office





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## CDBG REVIEW

- ◉ ...Construction work financed “in whole or in part...”
- ◉ Construction work over \$2,000
- ◉ Unit thresholds may also apply (8+ units)
- ◉ Soft cost generally no not trigger DB
- ◉ Volunteers: excluded (defined later)



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## HOME PROGRAM

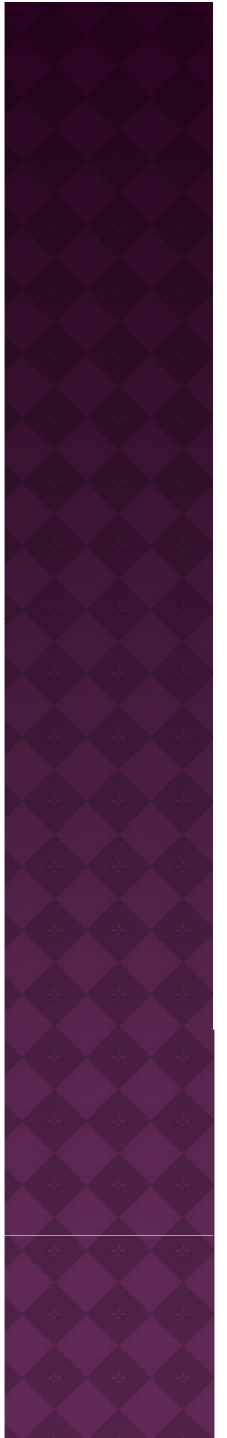
- ◉ The standard for coverage is “assisted not financed...”
- ◉ “Any contract for the construction of affordable housing with 12 or more units assisted with {HOME} funds...”



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## HOME PROGRAM

- ◉ Once triggered, DB requirements apply to the entire project, and (Refer to HUD Labor Relations Letter No. LR-96-02)
- ◉ Sweat equity participation is exempt.



# VOLUNTEERS NATIONAL AFFORDABLE HOUSING ACT

- ◉ Performs services voluntarily
- ◉ Do not receive compensation for services
- ◉ May be paid expenses, reasonable benefits, nominal fee for services
- ◉ Not otherwise employed at any time on the construction work

