

### **NMHC/NAA Viewpoint**

***The Department of Labor should act to modify its existing application of Davis-Bacon wage determination for Residential construction in order to facilitate the development of new and rehabilitation of existing multifamily properties.***

## DAVIS-BACON WAGES

The Davis-Bacon Act (the Act), applies to contractors and subcontractors on federally funded or assisted contracts in excess of \$2,000 for the construction, alteration or repair of public buildings, housing or works. Administration of the Act and the determination of applicable wages fall under the Department of Labor (DOL). The Act requires contractors and subcontractors to pay their laborers and mechanics employed under the contract no less than the locally prevailing wages and fringe benefits for corresponding work on similar projects in the area.

HUD's FHA multifamily loan programs support new construction and substantial rehabilitation of workforce and affordable rental housing, and are subject to using Davis-Bacon wages. The following two Davis-Bacon issues are having a negative impact on the ability of the apartment industry to efficiently add new, or preserve existing, multifamily rental units:

- **Unwarranted split-wage decisions.** HUD changed its wage determination practices at DOL's direction, which has resulted in unwarranted and disruptive multiple or "split wage" rate determinations; and
- **Disruptive update effective dates.** Existing DOL rules allow late-in-the-process effective dates for updates to Davis-Bacon wage decisions, which cause disruptions, drive up costs and unnecessarily require repetition of key, previously completed processes.

NMHC/NAA are requesting that the DOL 1) issue guidance specifying a single wage rate be used for Residential projects where incidental construction costs, such as road construction, total less than 20 percent of total project costs, and, 2) revise regulations to effectively lock in applicable wage rates no later than the date of the firm commitment application.

***The apartment industry relies on debt from FHA multifamily programs to construct new apartment properties and to upgrade existing properties.***