



# 14<sup>th</sup> Annual SWAC Conference

## Construction Costs, Wage Rates Decisions

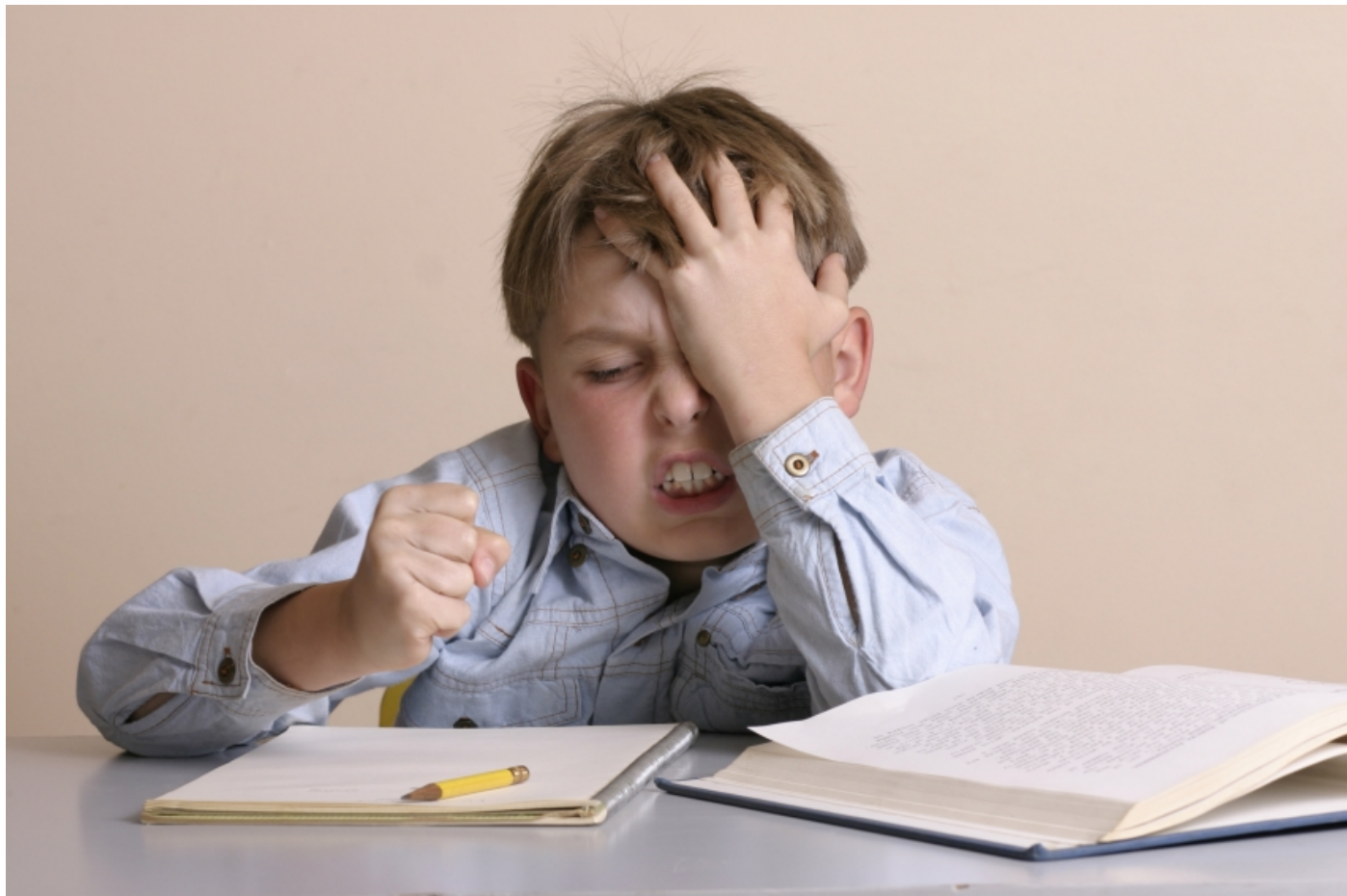
**Presenter:** Fannie J. Woods, Regional Supervisor, HUD Region VII

**Contact:** 314.418.5261

**Email:** [Fannie.J.Woods@hud.gov](mailto:Fannie.J.Woods@hud.gov)



## Wage Issuance Process





# Overview



- 
- HUD Responsibilities
  - Basic Categories
  - Project Complexity
  - Percentage and \$\$\$ Thresholds
  - Assessing Projects – Wage Determinations
  - Summary



# Who in HUD and When?



- Office of Davis Bacon and Labor Standards (DBLS)
  - Regions I and IV – William Pickett (Boston)
  - Regions II and III – Debra Bensala (Philadelphia)
  - Region V – Yvonne Matthews (Chicago)
  - Region VI and IX – Jerlinda Banks (Fort Worth)
  - Region VII – Fannie Woods (St. Louis/Kansas City)
  - Region VIII and X – Matthew Dufresne (Denver)

[https://www.hud.gov/program\\_offices/davis\\_bacon\\_and\\_labor\\_standards/laborrelstf](https://www.hud.gov/program_offices/davis_bacon_and_labor_standards/laborrelstf)

- HUD Underwriter/Closing Coordinator contacts DBLS at:
  - Firm Commitment
  - Early Start
  - Initial Endorsement
  - Recommendation: Concept and/or Pre App Stages



## Basic Categories



- Building Construction

- 5 or more stories, sheltered enclosures, the installation of utilities and of equipment, both above and below grade levels; as well as incidental grading, utilities and paving.

- Heavy Construction

- catch-all nature, sometimes distinguished on the basis of their particular project characteristics, and separate schedules may be issued for dredging projects, water and sewer line projects, dams, major bridges, and flood control projects.



- 
- Highway Construction
    - alteration or repair of roads, streets, highways, runways, taxiways, alleys, trails, paths, parking areas, and other similar projects not incidental to building or heavy construction.
  - Residential Construction
    - alteration or repair of single-family houses, apartment buildings of no more than four stories in height plus all incidental items such as site work, parking areas, utilities, streets, and sidewalks.
  - Some contracts or projects may require more than one general schedule to be included depending on the nature and extent of the work. This is described in more detail in DOL's All Agency Memo No. 131. The contracting agency should provide designate the work to which each wage determination or part thereof applies per FAR 22.404-2.





# Project Complexity



- Scrutinize more closely **at concept and/or pre app phases**
  - New Construction
    - Number of Stories
    - Project Costs
    - Units
    - Amenities – jogging trails, lakes, swimming pools, club houses, leasing offices, garages, carports, parking areas, access roads, dog parks, other non residential buildings, retention ponds
    - Utilities – City/County/State vs Owner/Developer/Contractor – connecting to existing or installing new . . .





# Project Complexity



- Rehab
  - What does it take to rehab the property?
  - Any changes to utilities – new vs connecting to existing?
  - Amenities?
- Mixed Use Facilities (residential and commercial)
  - Same as above **plus**
  - The narrative – how does it describe the “project” – not just what is covered by the FHA Mortgage
  - Commercial Spaces
  - Connecting buildings (parking, etc.)



# Wage Decisions



- Goal
  - Issue the correct project wage decision –which may be a single or multiple wage decisions
- Guidance
  - Project - Different characters of construction
    - Substantial or Incidental
    - Thresholds
      - 20% of total project costs and/or \$1M



# Determining Correct Project Wage Decision



HUD Form 92013  
Section C, blocks  
8 – number of bldgs  
9 – accessory bldgs  
12 – number of stories

## Application for Multifamily Housing Project

U.S. Department of Housing  
and Urban Development  
Office of Housing  
Federal Housing Commissioner

OMB No. 2502-0029  
(Exp. 06/30/2016)

See Instructions on page 7

Public reporting burden  
searching existing data so  
basic application package  
Housing Act (Public Law 4  
by the Department to anal  
information is required to

Privacy Act Notice - The  
information requested in t  
Federal Regulations. The  
Providing the SGN is man  
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Section A – Project Ide  
1. Name of Project



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### Section B – Purpose of

To: The Assistant Secret  
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to the information present

☐ Mortgage Insurance: Section;  
☐ a Feasibility Letter (Rehab.)  
☐ a SAMA Letter (New Const.)  
☐ a Conditional Commitment  
☐ a Firm Commitment  
☐ Direct Loan Section 202  
☐ Housing Asst. Pymnts. Sec. 8  
☐ Preliminary Proposal  
☐ Final Proposal

Mortgagor: ☐ PM ☐ NP ☐ LD ☐ B-S Other \_\_\_\_\_  
Financing: ☐ Conventional ☐ GNMA ☐ Bond ☐ State Agency  
Other \_\_\_\_\_  
Mortgage/Loan Amount: \$ \_\_\_\_\_  
Interest Rate: Permanent \_\_\_\_\_ % Construction \_\_\_\_\_ %

### Section C – Location and Description of Property

1. Street Address		2. Municipality	3. County	4. State and Zip Code	5. Congressional Dist.
6. Type of Project: <input type="checkbox"/> Proposed <input type="checkbox"/> Rehabilitation <input type="checkbox"/> Existing Year Built: _____		7. Number of Units: Revenue: _____ Non-Revenue: _____ Total: _____ 0	8. No. of Buildings	9. List Accessory Buildings Area Sq. Ft. Area Sq. Ft.	10. List Recreation Facilities Area Sq. Ft. Area Sq. Ft.
11. Type of Buildings <input type="checkbox"/> Elevator <input type="checkbox"/> Walkup <input type="checkbox"/> Row (T.H.) <input type="checkbox"/> Detached <input type="checkbox"/> Semi-Detached		12. No. of Stories		13. No. of Elevators	
14. Type of Foundation <input type="checkbox"/> Slab on Grade <input type="checkbox"/> Crawl Space <input type="checkbox"/> Partial Bsmt. <input type="checkbox"/> Full Basement		15. Structural System			
16. Floor System		17. Exterior Finish		18. Heating System	
19. Air Conditioning System					

### Section D – Information Concerning Land or Property

1. Date (mm/dd/yyyy)	2. Price <input type="checkbox"/> Acquired <input type="checkbox"/> Purchase <input type="checkbox"/> Option \$ _____	3. Additional Cost Paid or Accrued (attach a cost breakdown) \$ _____	4. Total Cost \$ _____	5. Outstanding Balance \$ _____	6. Relationship Between Seller and Buyer, Business, Personal or Other
7. Site Area		8. Zoning (if recently changed, submit evidence)		9. If leasehold, show annual ground rent lease term, remaining years	

State, county



## Determining Correct Project Wage Decision



Blocks 5, 6, 11

5 – Accessories

6 – Garage

7 – Other Building

11 – Total \$ Amount

Section G – Estimate of Replacement Cost		Section H – Annual Income Computations	
<b>Land Improvements</b>		<b>1. Estimated Project Gross Income</b>	
1. Unusual Land Improvements	\$	(Line 7, Sec. E, Pg. 2)	\$ 0.00
2. Other Land Improvements	\$	2. Occupancy (Entire Project)	%
3. Total Land Improvements	\$ 0.00	3. Effective Gross Income (Line 1 x Line 2)	\$ 0.00
<b>Structures</b>		4. Total Project Expenses (Line 30, Section I)	\$ 0.00
4. Main Buildings	\$	5. Net Income to Project (Line 3 minus Line 4)	\$ 0.00
5. Accessory Buildings	\$	6. Expense Ratio (Line 4 divided by Line 3)	%
6. Garage	\$	<b>Section I – Estimate of Annual Expense</b>	
7. All Other Buildings	\$	<b>Administrative</b>	
8. Total Structures	\$ 0.00	1. Advertising	\$
9. Subtotal (Line 3 plus Line 8)	\$ 0.00	2. Management Fee (____%)	\$
10. General Requirements (Line 9 x ____%)	\$ 0.00	3. Other	\$
11. Subtotal (Line 9 plus Line 10)	\$ 0.00	4. Total Administrative	\$ 0.00
<b>Fees</b>		<b>Operating</b>	
12. Builder's General Overhead (Line 11 x ____%)	\$ 0.00	5. Elevator Maintenance Exp.	\$
13. Builder's Profit (Line 11 x ____%)	\$ 0.00	6. Fuel – Heating	\$
14. Subtotal (Sum of Lines 11 through 13)	\$ 0.00	7. Fuel – Domestic Hotwater	\$
15. Bond Premium	\$	8. Lighting and Misc. Power	\$
16. Other Fees	\$	9. Water	\$
17. Estimated Total Cost of Construction	\$	10. Gas	\$
18. Architect's Fee-Design (Line 14 x ____%)	\$ 0.00	11. Garbage and Trash Removal	\$
19. Architect's Fee-Supervisory (Line 14 x ____%)	\$ 0.00	12. Payroll	\$
20. Total For All Improvements (Sum of Lines 17 through 19)	\$ 0.00	13. Other	\$
21. Cost per Gross Square Foot (Line 20 divided by Item 8, Section E)	\$	14. Total Operating	\$ 0.00
22. Construction Time ____ Months Plus 2 = ____ Months		<b>Maintenance</b>	
<b>Charges and Financing During Construction</b>		15. Decorating	\$
23. Interest on \$ ____ @ ____%		16. Repairs	\$
for ____ Months	\$	17. Exterminating	\$
24. Taxes	\$	18. Insurance	\$
25. Insurance	\$	19. Ground Expense	\$
26. HUD/FHA Mtg. Ins. Pre. (0.5%)	\$	20. Other	\$
27. HUD/FHA Exam. Fee (0.3%)	\$	21. Total Maintenance	\$ 0.00
28. HUD/FHA Insp. Fee (0.5%)	\$	22. Replacement Res.: New Const. = (.000 x Line 8,	
29. Financing Fee (____%)	\$	Sec. G Total Struct.) Rehab = (.004 x Mort/Loan	
30. Permanent Placement Fee (____%)	\$	Requested in Sec. M)	\$
31. AMPO (2.0%)	\$	23. Subtotal Expenses (Sum of Lines 4, 14, 21 and 22)	\$ 0.00
32. Contingency (Sec. 202) (2.0%)	\$	24. Real Estate: Est. Assessed Value	
33. Title and Recording	\$	= \$	
34. Total Charges and Financing	\$ 0.00	at \$ ____ per \$1000 = \$	
<b>Legal, Organization and Audit Fee</b>		25. Personal Prop. Est. Assessed Value	
35. Legal	\$	= \$	
36. Organization	\$	at \$ ____ per \$1000 = \$	
37. Cost Certification Audit Fee	\$	26. Employee Payroll Tax	\$
38. Total Legal, Organization and Audit Fee	\$ 0.00	27. Other	\$
39. Builder's and Sponsor's Profit and Risk	\$	28. Other	\$
40. Consultant Fee (Nonprofit Only)	\$	29. Total Taxes	\$ 0.00
41. Supplemental Management Fund	\$ 11,000,000.00	30. Total Expenses (Line 23 plus Line 29)	\$ 0.00
42. Contingency Reserve (Rehabilitation Only)	\$	31. Avg. exp. per unit per annum (PUPA)	
43. Relocation Expenses (Rehabilitation Only)	\$	(Line 30 divided by Total Item 7 Sec. C)	\$
44. Other	\$		
45. Total Estimated Development Cost (Lines 20 + 34 + 38 through 44)	\$ 11,000,000.00		
46. Land (Estimated Market Price of Site)	\$		
sq. ft. @ \$ ____ per sq. ft.	\$ 0.00		
47. Total Estimated Replacement Cost of Project (Line 45 plus Line 46)	\$ 11,000,000.00		
48. Average Cost per Living Unit (Line 45 divided by Total in Sec. C, Item 7)	\$		

Previous editions are obsolete.

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form HUD-92013 (07/2002)  
ref. Handbook 4420.1





- ✓ Total Project Costs
- ✓ Specific Line Items 33, 35, 36, 37, 38, 39, 40
  - ✓ If thresholds are met, **may** result in the issuance of multiple wage decisions, such as heavy, building, etc.



**ASSESSMENT  
INFO**



# Determining Correct Project Wage Decision



Specific line items?

- ✓ Different characters of construction
- ✓ \$ value of those items
- ✓ Incidental or substantial
  - ✓ Substantial based on thresholds

Line	Div.	Trade Item	Cost	Trade Description	
35	2	Earth Work			
36	2	Site Utilities			
37	2	Roads and Walks			
38	2	Site Improvements			
39	2	Lawns and Planting			
40	2	Unusual Site Condition			
41		<b>Total Land Improvements</b>			
42		<b>Total Struct. &amp; Land Imprvts.</b>			
43	1	General Requirements			
44		<b>Subtotal (Lines 42 and 43)</b>			
45		Builder's Overhead			
46		Builder's Profit			
47		<b>Subtotal (Lines 44 thru 46)</b>			
48		Other Fees			
49		Bond Premium			
50		<b>Total for All Improvements</b>			
51		Builder's Profit Paid by Means			
52		Other Than Cash			
53		<b>Total for All Improvements Less Line 52</b>			

I hereby certify that all the information stated herein, as well as any information provided in the accompaniment herewith, is true and accurate.

**Warning:** HUD will prosecute false claims and statements. Conviction may result in criminal and/or civil penalties. (18 U.S.C. 1001, 1010, 1012; 31 U.S.C. 3729, 3802)

Mortgagor \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_

Contractor \_\_\_\_\_ By \_\_\_\_\_ Date \_\_\_\_\_

FHA (Processing Analyst) \_\_\_\_\_ Date \_\_\_\_\_ FHA (Chief, Cost Branch or Cost Analyst) \_\_\_\_\_ Date \_\_\_\_\_

FHA (Chief Underwriter) \_\_\_\_\_ Date \_\_\_\_\_

## Instructions for Completing Form HUD-2328

This form is prepared by the contractor and/or mortgagor as a requirement for the issuance of a firm commitment. The firm replacement cost of the project also serves as a basis for the disbursement of dollar amounts when insured advances are requested. A detailed breakdown of trade items is provided along with spaces to enter dollar amounts and trade descriptions.

A separate form is prepared through line 32 for each **structure type**. A summation of these structure costs are entered on line 32 of a master form. Land improvements, General Requirements and Fees are completed through line 53 on the master 2328 **only**.

**Date**—Date form was prepared.

**Sponsor**—Name of sponsor or sponsoring organization.

**Project No.**—Eight-digit assigned project number.

**Building Identification**—Number(s) or Letter(s) of each building as designated on plans.

**Name of Project**—Sponsors designated name of project.

**Location**—Street address, city and state.

**Division**—Division numbers and trade items have been developed from the cost accounting section of the uniform system.

**Accessory Structures**—This item reflects structures, such as: community, storage, maintenance, mechanical, laundry and project office buildings. Also included are garages and carports or other buildings.

When the amount shown on line 33 is \$20,000.00 or 2% of line 32 whichever is the lesser, a separate form HUD-2328 will be prepared through line 32 for Accessory Structures.

**Unusual Site Conditions**—This trade item reflects rock excavation, high water table, excessive cut and fill, retaining walls, erosion, poor drainage and other on-site conditions considered unusual.

**Cost**—Enter the cost being submitted by the Contractor or bids submitted by a qualified subcontractor for each trade item. These costs will include, as a minimum, prevailing wage rates as determined by the Secretary of Labor.


**Trade Description**—Enter a brief description of the work included in each trade item.

**Other Fees**—Includable are fees to be paid by the Contractor, such as sewer tap fees not included in the plumbing contract. Fees paid or to be paid by the Mortgagor are not to be included on this form.

**Total For All Improvements**—This is the sum of lines 1 through 50 and is to include the total builder's profit (line 46).





- ✓ Type project (housing)
- ✓ Housing characteristics
- ✓ Height – 4 or less stories/more than five stories
  - ✓ Building height – determines the basic wage decision, such as residential or building
- ✓ Other characters of construction
  - ✓ Incidental or substantial – using current thresholds
    - ✓ Incidental – basic wage decision
- ✓ Substantial – various types of construction – using current thresholds
  - ✓ sewers, swimming pools, utilities, parking garages, parking areas, accessory buildings, jogging trails, doggie parks, access roads, etc.
- ✓  Contact DBLS Regional Supervisor
  - ✓ Concept Phase – Ask Multifamily Rep to include DBLS in the meeting



# ONE GOAL



Partnership – Public and Private Sectors





# ULTIMATE GOAL



*to produce*

**Affordable and Market-Rate Housing at Reasonable Prices** 17



# Always

