

Chris Austin

From: Bryan E. Parker <bryanp@parker.net>
Sent: Monday, October 30, 2017 4:59 PM
To: Chris Austin
Cc: Russ Griffin
Subject: 2018 LIHTC Apps | 2019 - 2nd Qtr. Construction Start - Cost Projections
Attachments: 2018 LIHTC - Rough Cost Estimates.pdf

Chris,

We enjoyed the conference this past week and was glad we could sit in on some of the classes and hear about the upcoming changes on the QAP. During and after the conference we had request from many of the developers we work with to provide updated cost projections to them for their 2018 deals that would start in early 2019. You may see some of the emails we sent out to them earlier today. Presently the deals we have started construction on or hope to start within the next 60 days are already running in the low \$70,000 per unit on just the building cost. We have seen increases in materials as well as labor over the last 60 days that have pushed the pricing higher. We are also receiving letters every week about cost increases at the end of this year, 2017 as well as some immediate cost increases on roofing, etc. Along with the material increases, the labor market has been getting tighter and tighter and cost are starting to run up as well because subs are so busy they are being selective on what projects they take on.

We had already started working with some developers who have been looking at land for their upcoming submissions and had already started to advise them on the projected cost of construction in 2019. They had expressed concern that the construction limit was only 73,000 and how we could make that number work. With the current construction market, elderly deals that start in early 2018 will have a hard time achieving that limit and family deals have cost already over the 73,000 limit.

Attached is the cost estimate matrix that we have prepared based on where we see cost at today and where they could be headed early 2019. We try to present it, so our developers can look at the cost ramifications of unit counts, sizes and the number of stories they plan to construct. As you can see on elderly projects we are looking at cost from 77-84k per unit and on the family side we are looking at 82-87k per unit. These costs are based on standard sized units, common area, finishes, etc. Items like porches, unit counts per building on family deals, etc. will influence those cost. We have tried to be as realistic as possible with the current construction market, etc. If the market conditions change, less housing or apartment starts we could see lower cost increases.

We would be glad to discuss these numbers in more detail over the phone or at your office if that would help.

Let us know if you have any questions or need anything else as we are always glad to assist NCHFA anyway that we can.

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