

THE CONTINUED IMPACTS OF COVID-19 ON DEVELOPMENT BUDGETS



Laura Northup

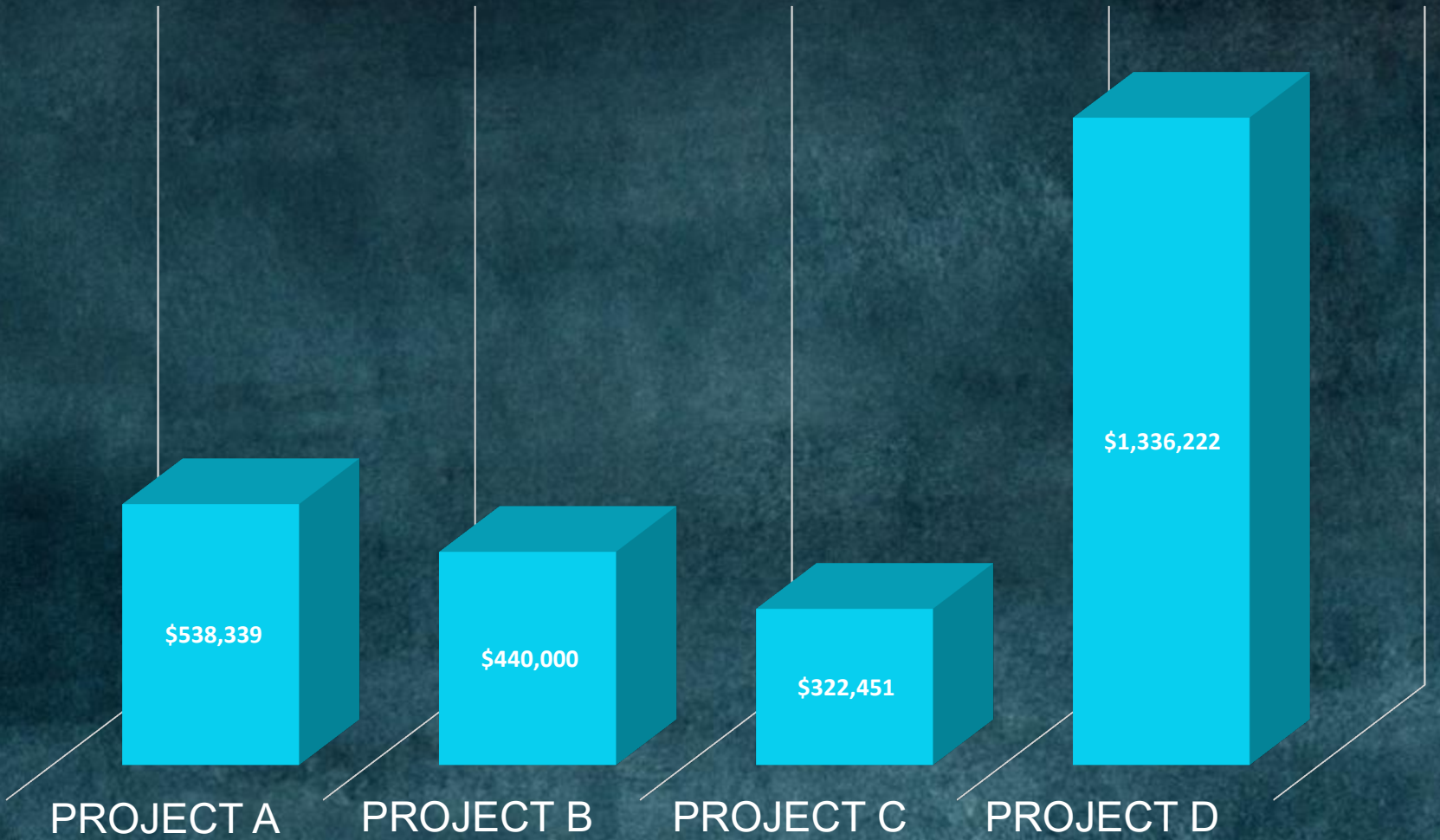
Principal, Mullin & Lonergan Associates

CONSTRUCTION COST OVERVIEW

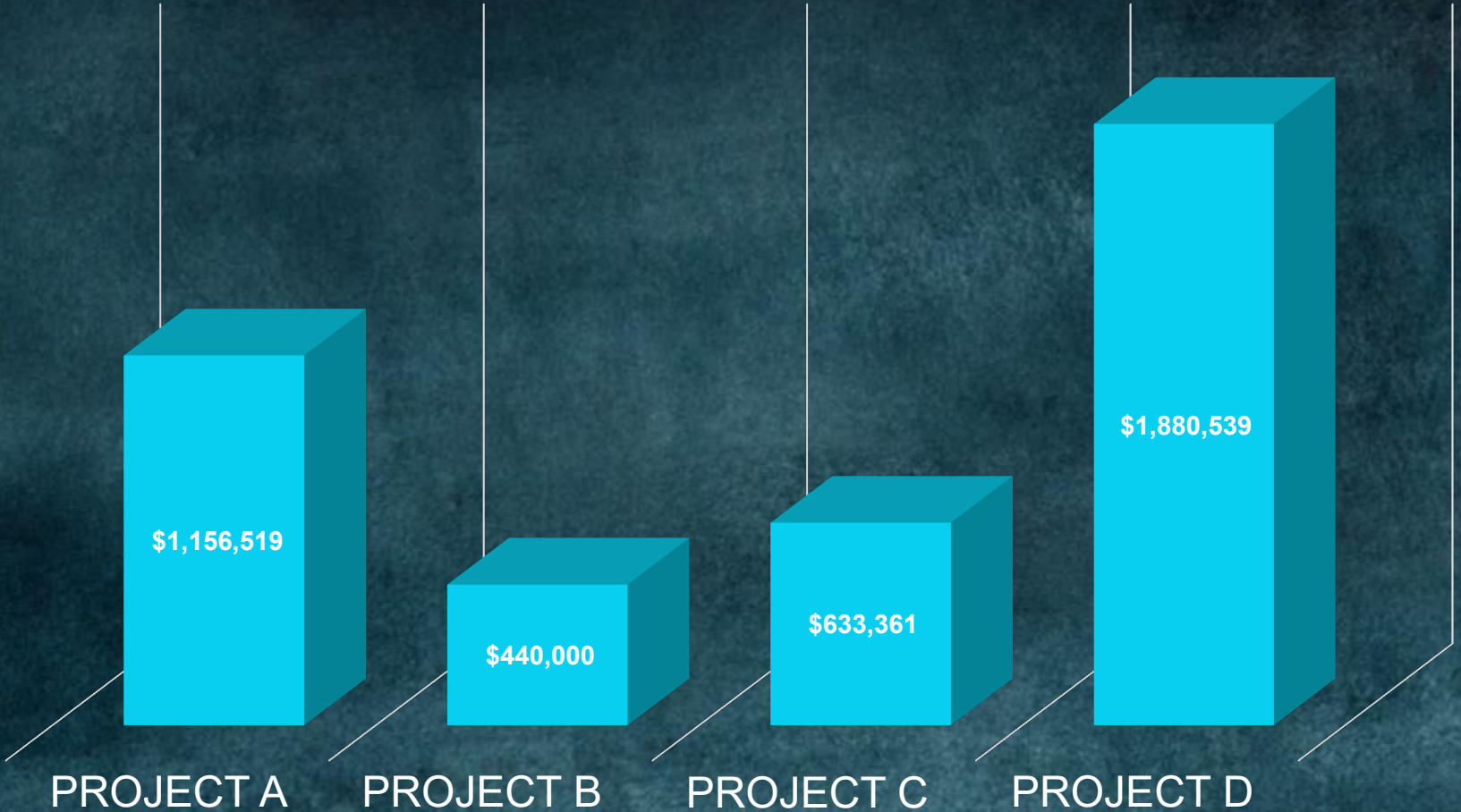
PROJECT YEAR	PROJECT	STATUS	COUNTY	OCCUP. TYPE	PROJECT TYPE	NO. OF UNITS	TOTAL SF	CONSTR. COSTS	PRICE PER SF	PRICE PER UNIT
2018	A	Complete	Franklin	Elderly	NC	40	54,596	\$ 7,307,531	\$ 134	\$ 182,688
2018	B	Complete	Westmoreland	Elderly	NC	47	50,680	\$ 8,493,315	\$ 168	\$ 180,709
2018	C	Complete	Delaware	Elderly	NC	41	44,968	\$ 4,699,939	\$ 171	\$ 187,803
2018	D	Complete	Schuylkill	Elderly	R	30	64,601	\$ 6,850,866	\$ 106	\$ 228,362
2019	E	Constr.	Centre	General	NC	18	29,261	\$ 6,191,723	\$ 212	\$ 343,985
2019	F	Constr.	Northumberland	Elderly	NC	36	43,813	\$ 6,227,212	\$ 142	\$ 172,978
2019	G	Constr.	Schuylkill	Elderly	NC	30	38,752	\$ 7,369,126	\$ 190	\$ 245,638
2019	H	Closing	Dauphin	General	NC	50	65,577	\$ 10,798,050	\$ 165	\$ 215,961
2020	I	Constr.	Columbia	Elderly	NC	44	55,072	\$ 8,308,916	\$ 151	\$ 188,839
2020	J	Constr.	Adams	General	NC	36	40,534	\$ 9,001,343	\$ 222	\$ 250,037
2021	K	Closing	Lackawanna	Elderly	NC	30	42,835	\$ 7,520,377	\$ 176	\$ 250,679
2021	L	Closing	Cumberland	Elderly	NC	40	50,783	\$ 8,694,800	\$ 171	\$ 217,370
2021	M	Closing	Cumberland	General	NC	40	46,534	\$ 9,206,832	\$ 198	\$ 230,171
2021	N	Closing	Centre	Elderly	NC	40	58,986	\$ 8,206,806	\$ 168	\$ 205,170
2021	O	Closing	Westmoreland	Elderly	NC	50	56,979	\$ 7,909,937	\$ 139	\$ 158,199
2021	P	Closing	Philadelphia	General	P	45	60,954	\$ 8,175,620	\$ 134	\$ 181,680
2021	Q	Closing	Chester	Elderly	NC	50	52,881	\$ 9,185,599	\$ 174	\$ 183,712
2021	R	Closing	Beaver	Elderly	NC	42	40,554	\$ 8,270,500	\$ 204	\$ 196,917

PROJECT SPOTLIGHT

PROJECT	NO. OF UNITS	TOTAL SF	CONSTR. COST DIFFERENCE	EQUITY DIFFERENCE	BRIDGE LOAN DIFFERENCE	TDC CREATED FINANCING
A	18	29,261	\$ 538,339	\$ (618,180)	—	\$ 1,156,519
B	36	43,813	\$ 440,000	—	—	\$ 440,000
C	44	55,072	\$ 322,451	\$ (310,910)	—	\$ 633,361
D	36	40,534	\$ 1,336,222	\$ (290,178)	\$ 254,139	\$ 1,880,539

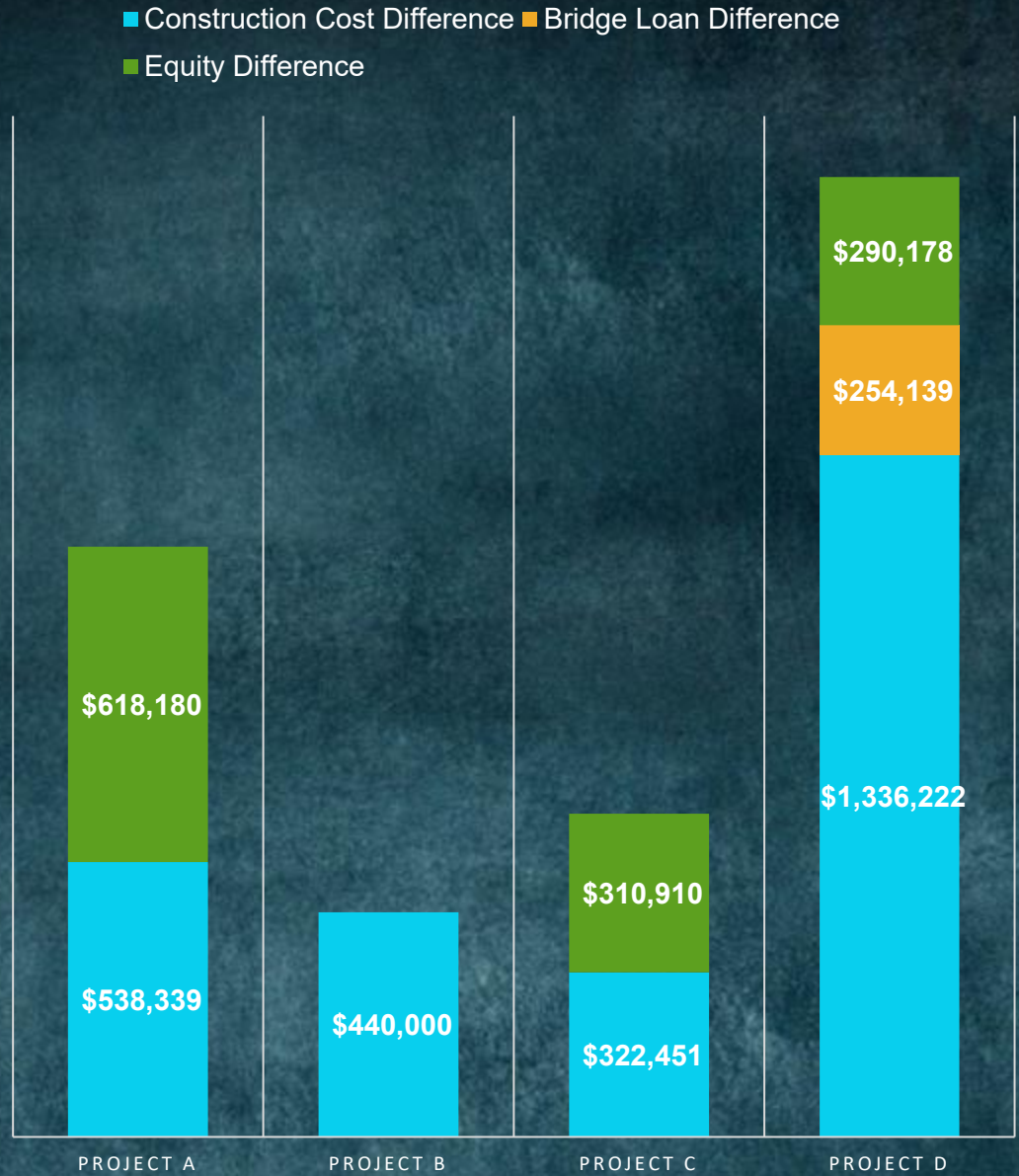


CONSTRUCTION COST DIFFERENCE



TDC CREATED
FINANCING

TOTAL INCREASE IN GAP



- During the bidding process, costs skyrocketed.
- Business closures and a labor shortage contributed to an increase in the cost of materials and lack of subcontractors.
- General Contractors were forced to bid out jobs several times, resulting in delays in closing schedules.
- Application budgets were so negatively impacted that many projects were left with unfillable gaps in funding.
- PHFA stepped up and provided extra PennHOMES, HTF, and additional LIHTC funds to make the projects financially feasible.


FROM A
CLOSING
PERSPECTIVE

- The global supply chain was severely disrupted, leaving many contractors without necessary materials.
- As demand grew, so did the price of materials and the wages of employees.
- Additionally, the labor shortage and delayed delivery of goods created massive delays in construction.
- Developers were unable to meet their Placed-in-Service obligations.
- In an effort to avoid financial disasters and ensure the creation of affordable housing, PHFA began feverishly collaborating with developers to reallocate tax credits.
- Likewise, the IRS published a notice to extend the Placed-In-Service deadline.

FROM A
CONSTRUCTION
PERSPECTIVE

- The fear created by the pandemic caused many prospective tenants to delay or cancel their plans to move.
- This left the affordable housing industry with a shortage of tenants during the crucial timeframe of lease-up, as it relates to Low Income Housing Tax Credits.
- Developers found themselves unable to lease units by the timeline imposed by investors, which would result in costly downward adjuster fees.
- Many were forced to provide monetary incentives to entice hesitant renters to forgo their fears.
- PHFA worked diligently with management companies to assist in finding renters for the developments in need.

FROM A
MANAGEMENT
PERSPECTIVE



Laura Northup
lauran@mandl.net
717.731.1161

Closing Thoughts