

Our comments pertain to the Chart B cost limits in **Maximum Project Development Costs**, specifically as they pertain to “building(s) with both steel and concrete construction and at least four stories of housing.”

This policy rightly recognizes the need for special consideration of taller buildings. For new construction taller than four stories, International Building Code Type III requirements kick in, imposing stricter standards for the frame as well as the related building systems and materials in ways that dramatically increase vertical costs of construction.

We have been assessing a development opportunity for which these Type III standards will apply. We received cost estimates from our general contractor (an unrelated 3rd party), and the applicable line items exceeded the cost limit in Chart B. The contractor expressed the following:

- In their opinion, the Chart B limit is significantly out of date for purposes of buildings facing Type III construction requirements.
- Cost limits aside, they conveyed that it is nearly impossible to fund 5+ story structures as affordable housing in North Carolina due to Type III requirements. It is only possible when significant soft funding is available.
 - They hypothesized that due to this, NCHFA may have limited internal, recent data on which to assess what a reasonable limit would be for such structures.

This general contractor has a strong, extensive track record building NCHFA-funded affordable housing in North Carolina. They are well positioned to comment on current construction market conditions applicable to NCHFA programs.

We highly recommend that for the 2025 QAP, NCHFA staff solicit input and data points from general contractors active in your programs to help inform what a more appropriate cost limit for 5+ story new construction developments should be. If this substantiates the concerns raised in our input, we recommend either of the following:

- Increase the Chart B limit commensurate with what the input and data show
- Add a third cost limit, which would be applicable to the rare instances in which 5+ story structures are financially feasible for an NCHFA-funded development.

As an additional matter, we want to highlight that projects utilizing federal funds for which Davis Bacon wage rate regulations apply also deserve consideration of a higher cost limit. It is possible NCHFA already considers this but deems Davis Bacon to be a cost “unique to the specific proposal” and therefore it does not influence cost limit considerations. If not, we offer that in our experience Davis Bacon typically increases the cost of labor by 30%.

We are happy to answer any questions. We very much appreciate the opportunity to provide comments.

Thank you,

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MICHAELS DEVELOPMENT COMPANY

