



MAINE AFFORDABLE
HOUSING COALITION

Rising Cost of Construction Zoom – Summary Notes

5.9.22, 9-10 am



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What you are seeing...

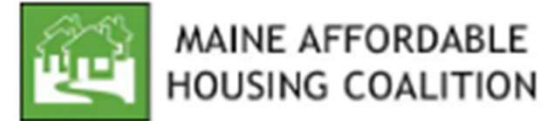
- 10% increases each quarter in labor and materials
- Lead times extended, and not honoring delivery times
- Lots of cost increases even at concept stage (\$100/SF from concept)
- Specific issues with drywall, doors (30 weeks), hardware, cabinets and delays
- Relocation costs are going up
- Not as much increase in electrical and concrete
- Group buy outs happening much earlier before closing
- Can't get estimates
- Taking on increased risk buying early
- Lack of workforce causing lots of issues
- Value engineering only getting us so far. Everyone doing compact projects and value engineering not solving the problem. ME already builds less expensive affordable housing than other states.
- Prices are lower in Boston (labor pool for subcontractors is better)



What you are doing in response to rising costs...

- **Happening so fast. Ordering early.** (Ordered cabinets and lumber in the first month of 20 months of a project. Much earlier. Taking on extra risk to get materials before they rise.)
 - Increases construction loan interest.
- Lots of pressure on subsidy resources (ARPA \$ filling gaps)
- Maximizing tax incentives to make more capital available
- Bridge loan lending or tax credit equity
- Other states: exempted sales tax for construction materials
- Particular items are an issue – helpful when CMs tell people what items will be issues at the start (electrical switch gears, cabinets, mechanical equipment-fiber glass tubs, appliances (9-12 mos), generators)
- Reviewing requirements of gap funding to see if those funds pay for themselves. They might not be a benefit.
- Need to engage CMs early
- 4% deals have better luck filling the gap compared to 9%

What can we all do...



- How do we share the increased risk of increasing costs across multiple parties (developer, contractor, syndicator, lenders, municipality, MSHA)? Might reduce padding
- ARPA funding: Need clarity on Treasury rule whether it can be used for LIHTEC. Pew article on this: https://www.pewtrusts.org/en/research-and-analysis/blogs/stateline/2022/04/25/rising-construction-costs-stall-affordable-housing-projects?utm_campaign=2022-05-02+SW&utm_medium=email&utm_source=Pew&subscriberkey=003U000001GBmnelAD
- Bond for more money (right now need to get shovel ready projects built), later don't want to increase cost cycle
- Talk with Finance Authority of ME (gap financing or other)
- Engage with DOL, AGC and others on workforce development
- Identify projects that are ready, that are in particular need, to find unique solutions
- MSHA Follow Up
 - Need clarity on structure of limited notices to proceed (\$1 million - \$3 million). How should these work? And timing of them.
 - Bulk purchase – is there a state entity that can do this? (wood, steel)
 - Cost caps (TDC has increased)
- More opportunities to bring lenders together would be helpful



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Attendees (Not a complete list- 50+ people total)

- Liza Fleming-Ives, Genesis Fund
- Stacey Morrison, Ganneston Const
- Drew Wing, Zachau Const
- Sherrin Vail, Evernorth
- Jay Waterman
- Matt Peters
- Nancy Smith, GrowSmart ME
- Peter Merrill, MSHA
- John Egan, Genesis Fund
- Josh Ellis, Clark Insurance
- Becky Carpentier, CHA Architecture
- Ben Walter, CWS Architecture
- Derek Converse, Zachau Construction
- Jason Bird, Penquis
- Catherine Culley
- Mufalo Chitam, MIRC
- Ninette Irabaruta, UWGP
- Peter Merrill, MSHA
- Catherine Elliott, Avesta
- Carl Szanton
- Todd Rothstein, Avesta
- Cynthia Taylor, HINEC
- Tyler Norod, Westbrook Develp
- Bridget Gifford, Efficiency Maine
- Mariah Monks, North River Co
- Tom Michaud, Sunrise Opportunities
- Rozanna Patane, Midcoast Cohousing
- Tony Love, Bellwether Enterprise
- Theo Noell, FHLBank Boston
- Dan Brennan, MSHA
- Mark Weisendanger, MSHA
- Andy Jackson, Dovetail