

Policies of Cost Containment



NCSHA 2018

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Finding the Right Balance

- **Cost Limits**
- **Developer Fee Limitation:**
 - Lesser of:
 - \$1.8 million (9% Deals)
 - 15% of eligible costs
- **2018 Award Limitation (Tax Credits):**
 - Flexible Pool: \$950,000
 - Rural Pool: \$850,000

Year (QAP)	Avg. Total Units	<i>Rural</i> Credit Limit	<i>Flexible</i> Credit Limit
2013	78	\$950K	\$950K
2014	78	\$1 Million	\$1 Million
2015	76	\$1 Million	\$1 million
2016	87	\$1 Million	\$1 Million
2017	74	\$850K	\$950K

Finding The Right Balance

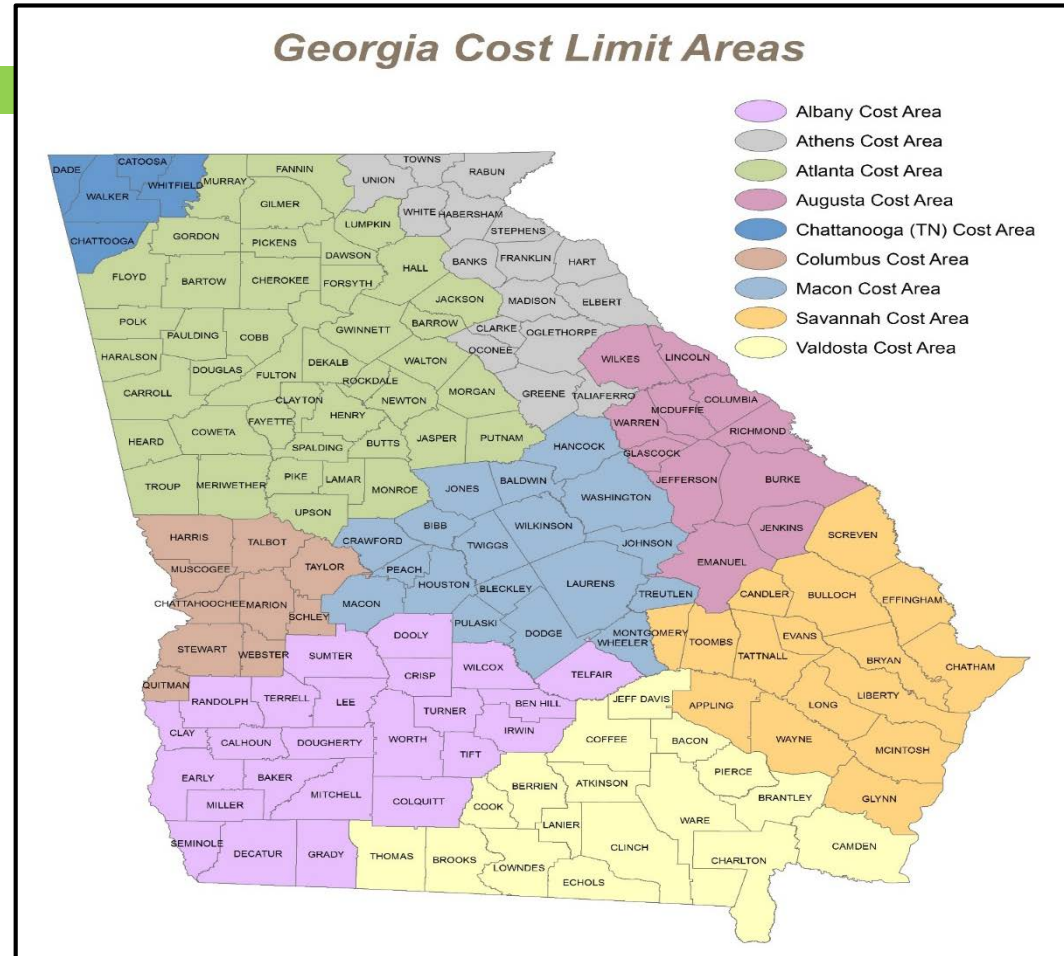
■ **Cost Limits** are calculated per unit based on:

□ **Building Design Type**

■ (Elevator, walk up, row house, detached/semi-detached)

□ **Bedroom Size (1BR, 2BR...)**

□ **Geographic Location (Cost Limit Areas)**



Preventing a Race to the Bottom



Right Sizing Incentives (4% Tax Credits)

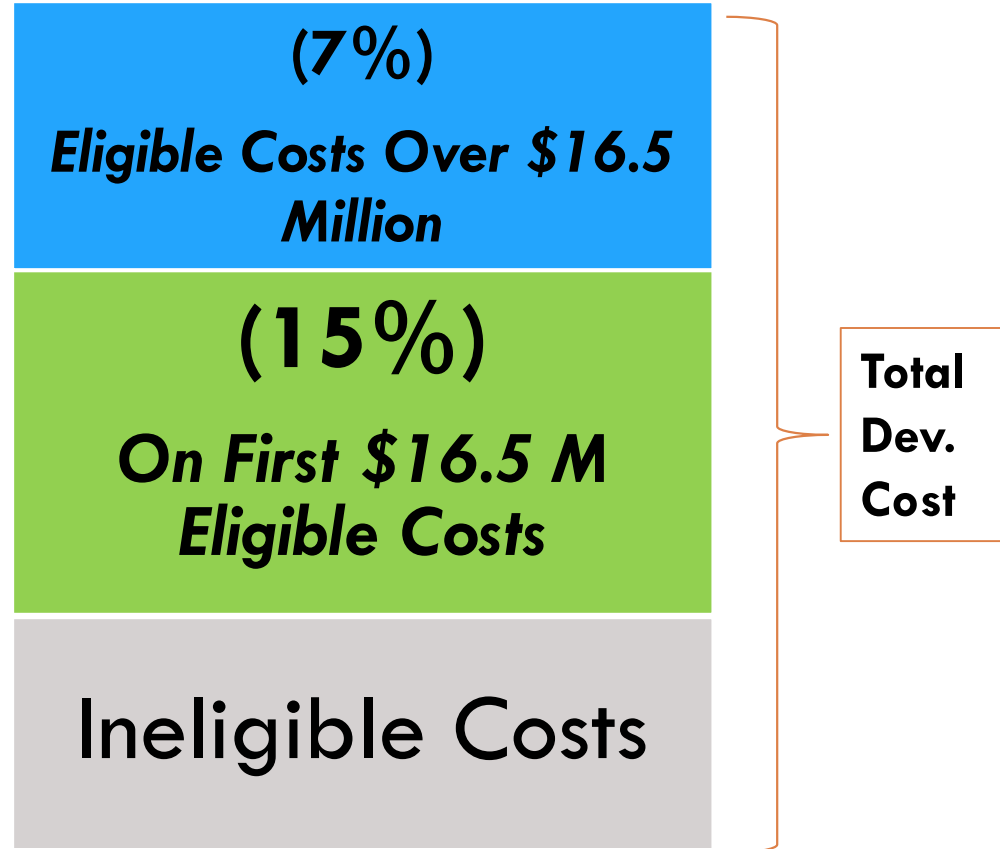
□ 2018 QAP:

□ Developer Fee Limit (4%):

- \$3.5 million limit
- Tiered Developer Fee Calculation

□ **Ineligible Costs:**

- Budgeted Developer Fee
- Demolition costs
- Reserves
- Land Cost
- Builder Profit (If IOI w/ Contractor)



Right Sizing Incentives

• Bond (4% Tax Credit) Development:

Year (QAP)	Total Units	Developer Fee Limitation
2013	408	\$1.8 million
2014	1,711	\$1.8 million
2015	1,174	\$2.0 million
2016	3,029	\$2.5 million
2017	5,074	\$2.5 million
2018	4,078 (6 months)	\$3.5 million

Due Diligence-Cost Containment

- Cost limits
- Cost Reasonableness Review
- Architectural/Underwriting Review

- Cost Certification Review
- Independent Auditor's Report
- AIA Pay App/Contractor Cost Cert



- Review of Schedule of Values
- 3rd Party Front End Cost Review (IOI; HOME)