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May 20, 2021

Josie Kotsioris  
Tennessee Housing Development Agency  
Andrew Jackson Building, Third Floor  
502 Deaderick Street  
Nashville, TN 37243

Ms. Kotsioris,

NH&RA's Tennessee Developers Council would like to welcome you to your new role at the Tennessee Housing Development Agency. We look forward to working with you to provide homes to low-income Tennesseans throughout the state. One of the biggest challenges facing our developer members is rising construction costs. Lumber prices are up 300 percent since April of 2020<sup>1</sup> and disruptions to supply chains are impacting the availability of cabinetry, appliances<sup>2</sup> and other vital materials. For developers who are able to source materials, many purchase in bulk and incur associated storage costs.

Similarly, the cost of labor continues to increase among nationwide shortages that were exacerbated by COVID-19. According to the National Association of Home Builders, "median wages in construction outpaced the national median wages, 3.7% vs 3%. Median wages of various construction trades rose even faster...Median wages of stonemasons and tapers increased by over 7%. Roofers saw their wages rise by 5.6%. Median wages of insulation workers rose 5.4%, while plasterers and stucco masons posted a 5% gain...Median wages of carpenters' helpers increased by over 7%. The wage gains by brick masons and roofers helpers averaged 6% and 5.6%, respectively."

Finally, acquisition costs continue to climb, especially in booming markets like Davidson County and COVID-19 has increased in-place rehab costs. One of our members describes a \$1.4 million cost increase from November 2020 to March 2021 and another \$600,000 increase from March to now.

We urge you to take action at next week's board meeting to amend the current QAP and Bond Program Description to eliminate the total development cost (TDC) limits for both nine percent and bond financed transactions. The current qualified allocation plan puts THDA in the difficult position of using lagging data to keep up with ever-rising costs each year. Eliminating the caps would end the perennial problem of handicapping affordable housing developers with out-of-touch and artificially low caps. We believe the TDC limits were low and should have been eliminated or at least substantially increased prior to the onset of COVID-19, and are now all the more urgent. Any change to TDC limits should be accompanied by a similar change in the total per development and developer limits.

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<sup>1</sup> *Framing Lumber Prices*. Washington, DC: National Association of Home Builders. Retrieved from: <https://www.nahb.org/news-and-economics/housing-economics/national-statistics/framing-lumber-prices>.

<sup>2</sup> *Why It's So Hard To Buy A New Refrigerator These Days*. (September 22, 2020). Washington, DC: National Public Radio. Retrieved from: <https://www.npr.org/2020/09/22/915240713/shortage-of-new-refrigerators-leaves-appliance-shoppers-out-in-the-cold>



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Given the rapid increase in construction costs, it is also likely that more multifamily private activity bonds will be necessary to enable developers to meet the 50 percent financed-by test. We understand that THDA currently has a \$37 million backlog of unfunded applications and several of our members have indicated they have applications ready to submit should the portal be reopened. We urge THDA to request enough additional bonds from the Tennessee Department of Economic and Community Development to cover the \$37 million, provide some cushion for 50 percent test constrained properties that have experienced substantial cost-increases and, ideally, additional projects that are ready to seek a firm commitment.

Thank you for your consideration – we look forward to continuing to work with you to ensure that all Tennesseans have an affordable place to call home and that the qualified allocation plan enables developers to continue building those homes.

Sincerely,

A handwritten signature in black ink, appearing to read "Thom Amdur".

Thom Amdur  
President