



# ANNUAL AFFORDABLE HOUSING COST DATA

Report to the Washington State Legislature  
December 2020

Submitted by the Washington State Housing Finance Commission

## INTRODUCTION

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The **Low-Income Housing Tax Credit (LIHTC)** program, which is administered by the Housing Finance Commission (the Commission), allocates federal income tax credits to developers to encourage the construction and rehabilitation of affordable multifamily housing. Housing credit in the 9% program is allocated through an annual competitive process in which projects are evaluated and scored according to the Commission's established criteria. The 4% housing tax credit combines tax credit equity with tax-exempt bonds. These programs are governed by the IRS and annual state allocations are determined by a per capital formula.

The state Department of Commerce and the Housing Finance Commission collaborate on policies and partner on making investments in affordable housing across the state. In any given year, 30-50% of our projects "overlap," meaning that they receive both a Housing Trust Fund award and a LIHTC allocation of federal housing tax credits.

## REPORTING REQUIREMENTS

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In 2017, the Legislature directed the Joint Legislative Audit and Review Committee (JLARC) to analyze the costs of developing low-income housing (i.e., affordable to households making less than 80 percent of the area median income). In their [final report](#), published in January 2019, JLARC made three recommendations for Commerce and the Commission, including the following:

***Commerce and the Commission should report development cost data to the Legislature annually.*** Data should include the total development cost per unit for each project, descriptive statistics (such as average and median per unit costs), regional cost variation, and other cost data that agencies deem necessary to improve cost controls and enhance the Legislature's understanding of development costs. Commerce and the Commission should coordinate to identify relevant development cost data and ensure that measures are consistent across the agencies. The costs should be published in a format that allows the Legislature and the agencies to track development costs over time.

In 2019, pursuant to the JLARC report, the Legislature included JLARC's recommendation in the [2019-21 Capital Budget](#) appropriation for the HTF (Section 1029), as follows:

***(b) Beginning December 1, 2019, and continuing annually, the department must provide the legislature with a report of its final cost data for each project under this section. Such cost data must, at a minimum, include total development cost per unit for each project completed within the past year, descriptive statistics such as average and median per unit costs, regional cost variation, and other costs that the department deems necessary to improve cost controls and enhance understanding of development costs. The department must coordinate with the housing finance commission to identify relevant development costs data and ensure that the measures are consistent across relevant agencies.***

This report provides the Commission's analysis on total residential project costs for LIHTC affordable housing projects that have been placed in service during state fiscal year 2020 (July 1, 2019 to June 30,

2020). The data and numbers provided are derived from the Certified Public Accountant-prepared cost certifications that are required for developers to claim the tax credits. This section also sets the benchmark for future legislative reporting, including a series of assumptions and definitions that help provide for consistent measures and data characteristics across the two program and state agencies.

## COST DATA AND COST CONTAINMENT

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Since the inception of the federal Low-Income Housing Tax Credit (LIHTC) program in 1987, the Commission has collected and tracked cost data. Developers cannot obtain approval from the IRS for the housing tax credits until their costs are certified. They must submit a CPA-generated report of the total sources and uses of the project's funding in order to obtain Form 8609 from the IRS, which enables their investors to claim the housing tax credits and thus provide equity for the project.

In addition to the cost-certification process, the Commission has a robust cost-containment strategy which is essential to the future success and continued credibility of the Housing Tax Credit program. Given the finite resource of the Housing Tax Credit, the primary objective of these cost-containment policies is to balance cost containment with promoting quality development. As referenced in the JLARC report, the Commission follows key national best practices for monitoring and controlling costs.

To this end, in 2012, the Commission developed and established total development cost (TDC) limits to benchmark and analyze costs against metrics. These limits vary according to region to better measure and acknowledge the different cost drivers throughout the state. The Commission reviews these limits annually (and resets them if necessary) using third-party data from Engineering News-Record (ENR). The TDC limits are documented in the Development Cost Limit Schedule as part of the LIHTC application process.

As part of the competitive application process, points are awarded based on a percentage of the amount under the TDC limit and based on the comparative cost of projects in the geographic pool. Projects are subject to the Development Cost Limit Schedule in place at the time of application. As part of the application, projects must provide a detailed breakdown of all anticipated project costs.

### Current Conditions and Impact of COVID-19

COVID-19 has had several impacts on the construction industry which, though not relevant to the projects in this report, will be reflected in cost data over the next two years. The initial shutdown in spring 2020 caused delays in project construction as well as permit and occupancy reviews; luckily, due to the Governor's proclamation exempting affordable housing projects, this situation was not as drastic as it could have been, and projects were able to continue to construction after just a few weeks of delay. However, increased safety measures and general contractor contingencies have definitely increased project costs. In addition, due to unprecedented demand for lumber, pricing has soared to three times as much as last year, further increasing costs for affordable housing projects. Again, we expect these impacts to be reflected in next year's cost data as 2020 projects are completed and placed in service.

## Total Residential Project Cost (TRPC) vs. Total Residential Development Cost (TRDC)

The data included in this report is based on **Total Residential Project Cost**, which includes the total cost of the residential portion of a project, including land, capitalized reserves and offsite infrastructure improvements.

**Total Residential Development Cost (TRDC)** is the Total Residential Project Cost minus the cost of land, reserves and infrastructure. The Commission uses TRDC for purposes of analyzing projects against limits and determining competitive points because TRDC better reflects the costs over which the developer has control. Some developers, for example, may be building on donated land, while others may have paid market price.

### Data Definitions

The following table shows the key data and criteria that have been agreed upon by both the Commission and Commerce for reporting cost data.

Field	Description
<b>General Project Data</b>	
<b>Sponsor</b>	Project Sponsor (the primary developing organization)
<b>Project Name</b>	Project Name
<b>Program Type</b>	4% or 9% Low-Income Housing Tax Credit program
<b>Project Address</b>	Project Address
<b>Project City</b>	Project City
<b>Project County</b>	Project County
<b>Zip</b>	Project Zip
<b>New Construction OR Acquisition/Rehab</b>	New Construction vs. Acquisition/Rehabilitation of an existing building
<b>Total Units</b>	Includes all physical units in the property: <ul style="list-style-type: none"> <li>• <b>Low-income Housing Units</b> (income- and rent-restricted units);</li> <li>• <b>Common Area Units</b> (which include manager-occupied units and sometimes community areas); and</li> <li>• <b>Market Rate Units</b> (units renting at market rate without income or rent restrictions).</li> </ul>
<b>Total Residential Square Feet</b>	Includes all residential areas including common areas and parking; does not include commercial square footage
<b>Project Cost Data</b>	
<b>Total Residential Project Cost</b>	All costs including land, capitalized reserves, and infrastructure costs associated with the residential budget. All subtotals below are for residential costs.
<b>Land/Acquisition Subtotal</b>	Cost for acquiring land, buildings and any closing costs

<b>Construction Subtotal</b>	Materials, labor, and associated costs of residential construction; any site or infrastructure work; and contingency
<b>Professional Fees Subtotal</b>	Engineering, architecture, appraisals, market studies, Geotech, topography, environmental reports, legal fees, development consultant, developer fees
<b>Financing Costs Subtotal</b>	Loan fees, interest expenses and insurance
<b>Capitalized Reserves Subtotal</b>	Operating and/or replacement reserves
<b>Other Development Costs Subtotal</b>	Real estate tax, insurance, relocation, bidding costs, permits/fees/hookups, impact mitigation fees, development period utilities, nonprofit donation, accounting audit, marketing leasing expenses, and any carrying costs at rent up reserve
<b>Sources of Financing</b>	
<b>State Housing Trust Fund?</b>	True = The project includes an investment from the Washington State Housing Trust Fund; may also include State HOME funds, National Housing Trust Funds.
<b>State Housing Trust Fund Amount</b>	Amount awarded from the Washington State Housing Trust Fund (through Dept of Commerce); may also include State HOME funds and National Housing Trust Funds allocated through the Dept of Commerce.
<b>Private Equity from LIHTC</b>	Private equity generated from federal Low-Income Housing Tax Credits
<b>Other State Source</b>	Capital appropriations
<b>Federal Source Summary</b>	HUD Choice Neighborhoods, may also include other federal resources, if available direct from the Federal level
<b>Local Source Summary</b>	Housing Authority capital funds, local HOME funds (HUD), local housing levies, other city or county investments
<b>Private Source Summary</b>	Tax exempt private activity bond cap (issued by either Commission or Housing Authority), permanent loans, other federal tax credits, subordinate loans, etc.
<b>Sponsor Source Summary</b>	Deferred developer fee, sponsor loan, sponsor contribution, Net Operating Income (NOI) during lease-up, seller note
<b>“Cost Per” Data</b>	
<b>Cost Per Unit</b>	Total Residential Project Cost divided by Total Units
<b>Cost Per Total Residential Square Footage</b>	Total Residential Project Cost divided by Total Residential Square Feet

## 2020 Report on Low Income Housing Tax Credit Projects

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### Projects placed in service from July 1, 2019 - June 30, 2020

The charts and points below highlight data found in the list of projects provided as Attachment A.

### Total Projects, Units and Average Costs – 2019 and 2020

Fiscal Year	Total Projects	Average units per project	Average cost per unit	Average cost per square foot
July 2018 - June 2019	51	145	\$231,393	\$264
July 2019 - June 2020	41	143	\$247,267	\$308
<i>With outlier*</i>	43	140	\$259,768	\$309

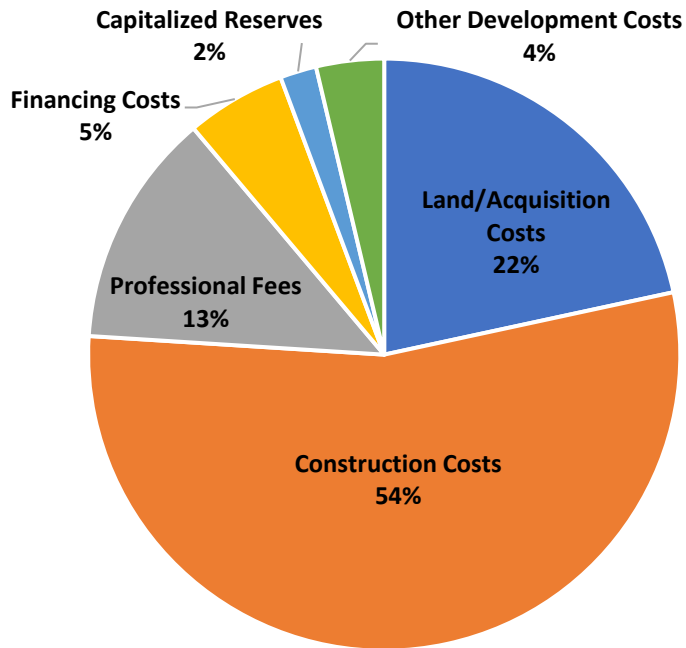
### Costs by County and Construction Type – 2020

New Construction:			Acquisition/Rehab:		
County	Average Cost Per Unit	Average Cost Per Residential Square Foot	County	Average Cost Per Unit	Average Cost Per Residential Square Foot
Benton	\$228,597	\$260	Clark	\$179,749	\$288
Chelan	\$253,289	\$240	Grays Harbor	\$130,890	\$183
Clark	\$246,889	\$332	Island	\$149,445	\$181
King	\$315,046	\$364	King	\$294,454 <i>\$357,764</i>	\$386 <i>\$368*</i>
Pierce	\$199,756	\$225	Pierce	\$180,445	\$274
Snohomish	\$265,069	\$409	Snohomish	\$286,860	\$368
Spokane	\$168,945	\$148	Spokane	\$158,123	\$220
Whatcom	\$253,410	\$409	Whatcom	\$202,791	\$223
			Yakima	\$236,000	\$228
<b>Avg of All New Construction:</b>	<b>\$274,179</b>	<b>\$328</b>	<b>Avg of All Acq/Rehab:</b>	<b>\$212,879</b> <b>\$243,195</b>	<b>\$283</b> <b>\$287*</b>

\*The average per-unit costs in 2020 are skewed due to one outlier property in King County, which comprised two large rehabilitation projects that met the cost-limit exemption policy due to the nature of the adaptive re-use of the buildings, the substantial rehabilitation required and historic preservation requirements. The averages that include this outlier are shown in italics.

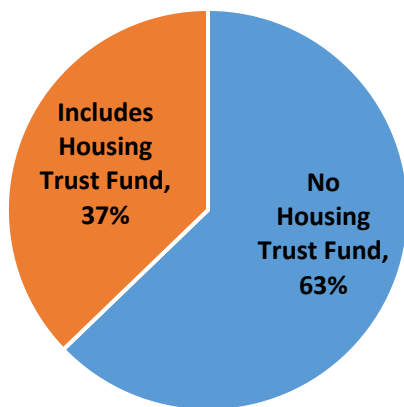
## Source of Project Costs

Project cost categories are defined above in the Data Definitions Table. As shown, construction costs, including labor and materials, are the major cost drivers of these projects.



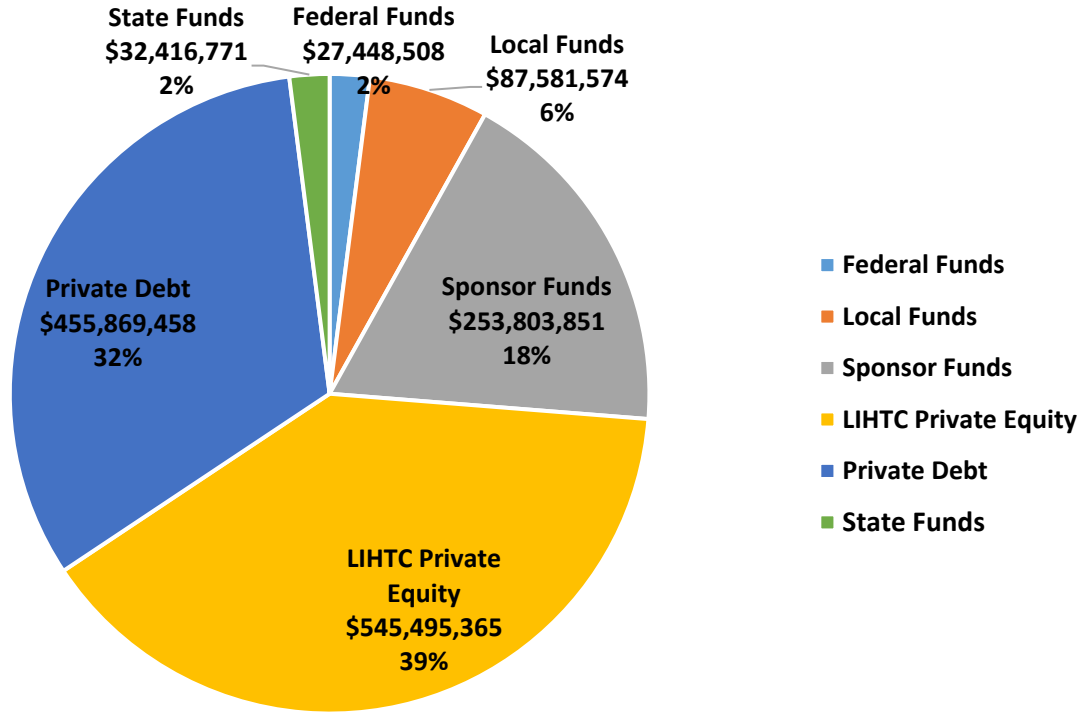
## State Housing Trust Fund Involvement

How Many 2020 Projects Include Housing Trust Fund?



## Funding Sources

Note: Private debt includes tax-exempt bonds issued by the Commission or by the local housing authority. The state funds category is solely made up of State Housing Trust Fund. Please see Data Definitions above.



## Attachment A - Full List of 2020 Projects



## APPENDIX A: FULL LIST OF 2020 PROJECTS

Project Name	Housing Trust Fund?	City	County	New Construction OR Acquisition/Rehab	Total Units	Cost Per Unit	Cost per Total Project Residential Square Foot	Population Served
22 North	Yes	Bellingham	Whatcom	New Construction	40	253,410	409	Homeless
30Bellevue	Yes	Bellevue	King	New Construction	62	374,210	358	Disabled/Homeless
Alberta J. Canada Apartments	No	Tacoma	Pierce	Acquisition/Rehab	48	267,988	498	General
Bakerview Redevelopment	No	Bellingham	Whatcom	Acquisition/Rehab	94	202,791	223	Disabled/Large Household
Basalt Ridge Apartments	No	Airway Heights	Spokane	New Construction	240	141,280	125	Disabled/Large Household
Burien Haus	No	Burien	King	Acquisition/Rehab	34	256,927	472	Disabled/Elderly
Cambridge Apartments	Yes	Seattle	King	Acquisition/Rehab	157	311,721	519	General
Caples Terrace	No	Vancouver	Clark	New Construction	28	266,083	362	Homeless
Cathedral Plaza	No	Spokane	Spokane	Acquisition/Rehab	150	178,926	181	Elderly
Compass Broadview	Yes	Seattle	King	New Construction	59	370,794	373	Disabled/Homeless
Everett Safe Streets Supportive Housing	Yes	Everett	Snohomish	New Construction	65	265,069	409	Homeless
Galena Apartments	No	Airway Heights	Spokane	New Construction	75	196,611	170	Disabled/Large Household
Gateway by Vintage Apartments	No	Spanaway	Pierce	New Construction	216	199,756	225	Large Household
Herman Johnson RAD Conversion	No	Aberdeen	Grays Harbor	Acquisition/Rehab	160	130,890	183	Disabled/Elderly
Highland Village Somerset Gardens	No	Bellevue	King	Acquisition/Rehab	286	309,996	375	Disabled/Large Household
Isabella Court Phase II	Yes	Vancouver	Clark	New Construction	49	284,141	378	Homeless
K West Apartments	No	Vancouver	Clark	New Construction	192	174,370	169	Large Household
Liberty Bank Building	Yes	Seattle	King	New Construction	115	282,811	333	General
Mercy Magnusson Place North	Yes	Seattle	King	Acquisition/Rehab	40	594,898	292	Disabled/Large Household
Mercy Magnusson Place South	Yes	Seattle	King	Acquisition/Rehab	108	437,181	356	Disabled
Mount Baker Village Preservation	No	Seattle	King	Acquisition/Rehab	156	322,286	314	General
MSC Pierce Portfolio	Yes	Gig Harbor	Pierce	Acquisition/Rehab	87	134,988	129	Disabled/Elderly/Large Household
North 96th Supportive Housing	Yes	Seattle	King	New Construction	100	277,665	495	Homeless
Nueva Vista Phase II	Yes	Kennewick	Benton	New Construction	28	228,597	260	Homeless
Redmond Ridge Apartments	No	Redmond	King	New Construction	109	350,892	206	Disabled/Large Household
Renton Commons	Yes	Renton	King	New Construction	48	404,074	609	Homeless
Rhododendron Place	Yes	Vancouver	Clark	New Construction	30	262,961	420	Homeless
Ridpath Club Apartments	No	Spokane	Spokane	Acquisition/Rehab	206	108,972	250	General
SAG Preservation Portfolio 1	Yes	Oak Harbor	Island	Acquisition/Rehab	299	149,445	181	Disabled/Large Household
Southside by Vintage	No	Seattle	King	New Construction	298	260,844	280	Large Household
Sunset Court Apartments	No	Renton	King	New Construction	50	402,042	422	Disabled/Homeless
Sunset Garden Apartments	No	Puyallup	Pierce	Acquisition/Rehab	276	138,359	194	Disabled/Elderly
Thai Binh Apartments	No	Seattle	King	New Construction	249	288,010	487	Disabled
The O'Malley	No	Spokane	Spokane	Acquisition/Rehab	99	175,995	247	Elderly
The Reserve at Auburn	No	Auburn	King	New Construction	297	221,841	267	Elderly
The Villas at Auburn	No	Auburn	King	New Construction	295	241,677	274	General
Tukwila Village Phase 1 Senior Living	No	Tukwila	King	New Construction	193	305,693	268	Disabled/Elderly
Vintage at Vancouver 2	No	Vancouver	Clark	Acquisition/Rehab	154	179,749	288	Disabled/Elderly
Wenatchee Supportive Housing Community	Yes	Wenatchee	Chelan	New Construction	67	253,289	240	Homeless
West Seattle Affordable Housing	No	Seattle	King	Acquisition/Rehab	204	271,342	248	General
Wiggums Park Place	No	Everett	Snohomish	Acquisition/Rehab	80	286,860	368	General
Wilbur and Cook Affordable Portfolio LLLP	No	Spokane	Spokane	Acquisition/Rehab	378	168,597	201	Disabled/Elderly/Large Household
YNHA Tax Credit 6	No	Wapato	Yakima	Acquisition/Rehab	88	236,000	228	Disabled/Large Household