



# ANNUAL AFFORDABLE HOUSING COST DATA

Report to the Washington State Legislature  
November 2021

Submitted by the Washington State Housing Finance Commission

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## INTRODUCTION

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### The Low-Income Housing Tax Credit Program

The Washington State Housing Finance Commission (Commission) administers the **Low-Income Housing Tax Credit (LIHTC)** program which finances the construction and preservation of affordable multifamily housing units through federal tax incentives. Housing credit in the 9% program is awarded 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 and the tax-exempt bonds are allocated through a competitive process. These programs are governed by the Internal Revenue Service (IRS) and annual state allocations are determined by a per capita formula.

The Department of Commerce (Commerce) administers the **Housing Trust Fund**, a state program that makes grants and low-interest loans for low-income housing. Commerce and the 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

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

recommendations to Commerce and the Commission to improve cost efficiency, controls, and monitoring, including the following recommendation:

***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 responds to the recommendation made by JLARC to provide relevant development cost data and analysis for LIHTC affordable housing projects to the Legislature. The data in this report includes projects that have submitted to the Commission their final development cost data during state fiscal year 2021 (July 1, 2020 to June 30, 2021). The numbers provided are derived from the Certified Public Accountant-prepared cost certifications and the analysis relies on benchmarks established in previous reports including a series of assumptions and definitions that allow for consistent measures and data characteristics across the two programs and state agencies.

## COST DATA AND COST CONTAINMENT

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### CPA Cost Certified Data

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 to obtain Form 8609 from the IRS, which enables their investors to claim the housing tax credits and thus provide equity for the project.

## Cost Containment Policy

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:

### Impact of COVID-19, Supply Chain Issues and Spike in Lumber Costs and Wage Rates

COVID-19 continues to have 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 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. In addition, labor shortages in specific trades and newly increased wages rates at the beginning of 2021 impacted many of the existing projects that were seeking funding this year. Again, we expect these impacts to be reflected in next year's cost data as current projects are completed and placed in service.

# DATA DEFINITIONS & METHODOLOGY

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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.

## 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

## Methodology

The analysis provided in this report is focused on describing or summarizing total residential development cost data and uses common descriptive statistics such as measures of central tendency. This method of analysis was chosen with the goal of providing a simple but meaningful presentation of the data. It is important to note that this method of analysis deals with quantitative data only and should not be used to generalize or make unsupported conclusions about the cost of affordable multifamily housing projects not included in this data set.

## 2021 REPORT ON LOW INCOME HOUSING TAX CREDIT PROJECTS

The charts and points below highlight data found in the list of **projects placed in service from July 1, 2020, through June 30, 2021**, provided as Attachment A.

### Total Projects, Units and Average Costs – 2019, 2020 and 2021

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	43	140	\$259,768	\$309
July 2020 – June 2021	33	149	\$268,909	\$321

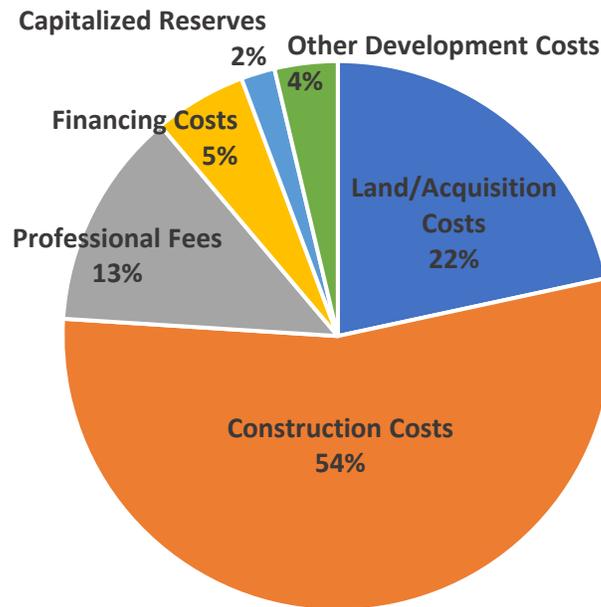
### Costs by County and Construction Type – 2020-21

New Construction:		
County	Average Cost Per Unit	Average Cost Per Residential Square Foot
Benton	\$156,562	\$159
Grant	\$222,760	\$179
King	\$330,794	\$390
Okanogan	\$309,520	\$275
Pacific	\$298,618	\$481
San Juan	\$385,656	\$439
Snohomish	\$240,958	\$295
Spokane	\$232,126	\$262
Yakima	\$202,060	\$227
<b>Avg of All New Construction:</b>	<b>\$284,801</b>	<b>\$331</b>

Acquisition/Rehab:		
County	Average Cost Per Unit	Average Cost Per Residential Square Foot
Benton	\$187,179	\$241
Grays Harbor	\$149,289	\$254
King	\$223,687	\$358
Kittitas	\$249,632	\$299
Snohomish	\$275,099	\$239
Thurston	\$256,882	\$236
<b>Avg of All Acq/Rehab:</b>	<b>\$226,530</b>	<b>\$294</b>

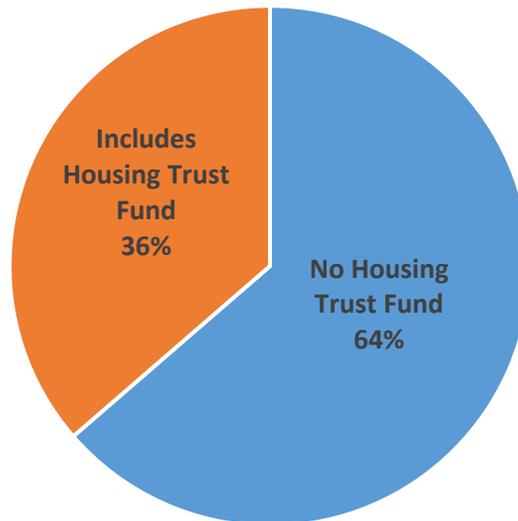
## Source of Project Costs

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



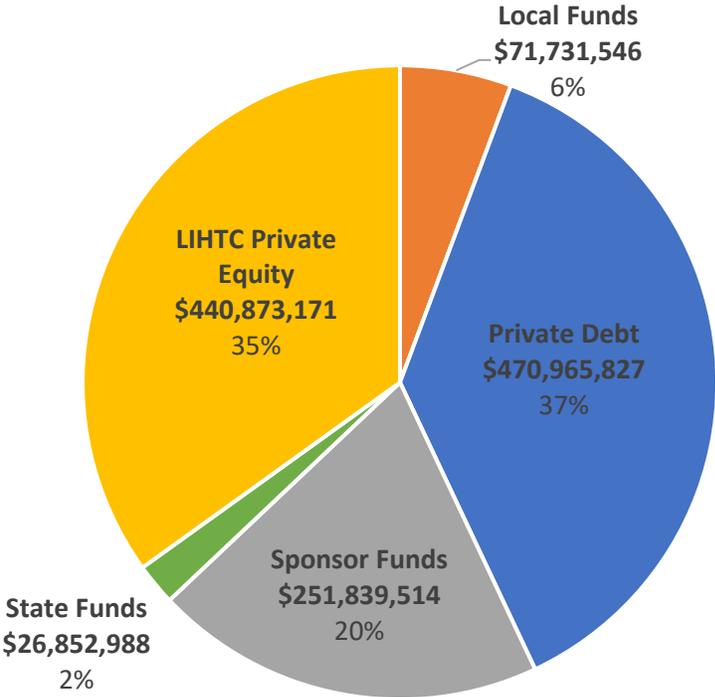
## State Housing Trust Fund Involvement

How many 2020-21 projects include funding from the Washington State Housing Trust Fund?



# Funding Sources in 2020-21 LIHTC Projects

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.



## APPENDIX A: FULL LIST OF 2021 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
501 Rainier Supportive Housing	Yes	Seattle	King	New Construction	105	\$ 288,285	\$ 971	Homeless
Alder Terrace Affordable Housing LLLP	No	Ellensburg	Kittitas	Acquisition/Rehab	51	\$ 280,643	\$ 324	Homeless
April's Grove	Yes	Eastsound	San Juan	New Construction	45	\$ 385,656	\$ 439	Disabled/Large Household
Boulevard Place Senior Living	No	Bothell	King	New Construction	291	\$ 191,503	\$ 163	Disabled/Elderly
College Glen Apartments	No	Lacey	Thurston	Acquisition/Rehab	164	\$ 256,882	\$ 236	Disabled/Large Household
Colville Homes IV	No	Nespelem	Okanogan	New Construction	40	\$ 309,520	\$ 275	Disabled/Large Household
Copper Mountain	No	Richland	Benton	New Construction	276	\$ 156,562	\$ 159	Disabled/Large Household
Crossroads Senior Living	No	Bellevue	King	New Construction	185	\$ 203,719	\$ 184	Disabled/Elderly
Driftwood Point	Yes	Long Beach	Pacific	New Construction	27	\$ 298,618	\$ 481	Homeless
Father Bach Haven IV	Yes	Spokane	Spokane	New Construction	51	\$ 237,452	\$ 288	Homeless
Father Bach Haven V	Yes	Spokane	Spokane	New Construction	51	\$ 237,414	\$ 290	Homeless
Golden Cedars LLLP	No	Renton	King	Acquisition/Rehab	369	\$ 304,983	\$ 463	Elderly
Grays Harbor Affordable Housing Group	No	Aberdeen	Grays Harbor	Acquisition/Rehab	338	\$ 149,289	\$ 254	General
Heatherstone Preservation	No	Kennewick	Benton	Acquisition/Rehab	455	\$ 187,179	\$ 241	Disabled/Large Household
HopeWorks Station II	Yes	Everett	Snohomish	New Construction	65	\$ 269,638	\$ 387	Homeless
Jayne Auld Manor	Yes	Spokane	Spokane	New Construction	48	\$ 221,512	\$ 208	Disabled/Large Household
Judkins Junction	No	Seattle	King	New Construction	74	\$ 372,512	\$ 405	Disabled
Kittitas RAD Affordable Housing Portfolio	No	Ellensburg	Kittitas	Acquisition/Rehab	110	\$ 218,622	\$ 274	Elderly
LARC @ Burien	No	Burien	King	New Construction	160	\$ 280,740	\$ 284	Disabled/Elderly
Little Saigon Apartments	No	Seattle	King	New Construction	69	\$ 349,731	\$ 381	General
Mt. Baker Family Housing	No	Seattle	King	New Construction	95	\$ 401,390	\$ 393	Disabled/Large Household
Patricia K. Apartments	Yes	Seattle	King	New Construction	53	\$ 279,636	\$ 474	Homeless
Possession Sound Properties	No	Everett	Snohomish	Acquisition/Rehab	58	\$ 275,099	\$ 239	Disabled/Homeless/Large Household
Rainier Court Phase IV	Yes	Seattle	King	New Construction	81	\$ 361,959	\$ 435	Disabled/Elderly
Red Cedar	No	Seattle	King	New Construction	119	\$ 580,531	\$ 377	General
River's Edge	No	Monroe	Snohomish	New Construction	166	\$ 247,936	\$ 288	Disabled/Large Household
Royal City Family Housing II	Yes	Royal City	Grant	New Construction	51	\$ 222,760	\$ 179	Farmworker
Sanford Hildebrandt Towers	No	Seattle	King	Acquisition/Rehab	372	\$ 103,746	\$ 179	Disabled/Elderly
Stonewood Apartments	No	Yakima	Yakima	New Construction	60	\$ 181,896	\$ 175	Farmworker
The Bicycle Apartments LLC	Yes	Yakima	Yakima	New Construction	80	\$ 222,223	\$ 279	Homeless
The Frye	Yes	Seattle	King	Acquisition/Rehab	234	\$ 262,331	\$ 431	Disabled/Elderly
The Reserve at Lynnwood	No	Lynnwood	Snohomish	New Construction	295	\$ 205,298	\$ 211	Elderly
Waterview Crossing Apartments	No	Des Moines	King	New Construction	326	\$ 328,729	\$ 223	Disabled/Large Household