



ANNUAL AFFORDABLE HOUSING COST DATA

Report to the Washington State Legislature
December 2024

Submitted by the Washington State Housing Finance Commission

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INTRODUCTION

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, which 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 jointly invest 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 2024 (July 1, 2023, to June 30, 2024). 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.

An update to the Commerce RCW's 43.185A.190 changed Commerce's reporting period to every two years, so Commerce specific data is not included in this reporting period.

COST DATA AND COST CONTAINMENT

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 implemented a robust cost-containment strategy, which is essential to long-term success and 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 project costs against key metrics. These limits vary by region to more accurately reflect the diverse cost drivers across the state. The Commission reviews these limits annually, adjusting them as needed, using historical data and third-party data from Engineering News-Record (ENR). The TDC limits are outlined in the Development Cost Limit Schedule, which is part of the LIHTC application process.

As part of the competitive application process, points are awarded to projects based on the percentage by which a project's costs fall below the TDC limits, as well as the comparative costs of projects within the same cost containment area. Projects are evaluated against the Development Cost Limit Schedule in effect at the time of application and must provide a detailed breakdown of all anticipated project costs as part of application submission.

Based on our ongoing analysis and work with the Housing Development Consortium of Seattle/King County Cost Analysis Workgroup, we adjusted our cost limits starting in 2022 to reflect more granular

nuances of costs found between projects located in Seattle and those in the Balance of King County. The numbers presented below reflect these changes.

Commerce's application recognizes the less costly projects with higher prioritization in funding but does not apply a strict cost limit like the Commission. There are wide-ranging variations of project types, including single family construction/renovation, congregate shelters, acquisition rehabs and new construction in all types of communities. Therefore, Commerce finds the scoring to be a fairer method of recognizing and containing costs.

Current Conditions: Interest Rate, Operating Cost Environment and Development pipeline

This past year continued to provide challenges for projects given the continued interest rate environment and decrease in tax credit pricing. Insurance rates and the availability of insurance providers for affordable housing has impacted sponsors and projects. As was stated in last year's report, significant issues evolving out of the pandemic continued to have a large impact on real estate and construction projects. Increased interest rates for both construction and permanent financing are affecting projects in development as well as projects just trying to close on their financing. Increased operating costs, including insurance and security are making it harder for projects to convert their construction loans to permanent financing thereby affecting organizations' financial capacity. This situation continues to affect the ability of new projects to place units in service as financing gaps are now occurring from increased cost during construction and projects not able to meet underlying guidelines to convert construction loans without significant additional resources.

DATA DEFINITIONS & METHODOLOGY

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

Professional Fees Subtotal	Engineering, architecture, appraisals, market studies, Geotech, topography, environmental reports, legal fees, development consultant, developer fees
Financing Costs Subtotal	Loan fees, interest expenses and insurance
Capitalized Reserves Subtotal	Operating and/or replacement reserves
Other Development Costs Subtotal	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
Sources of Financing	
State Housing Trust Fund?	True = The project includes an investment from the Washington State Housing Trust Fund; may also include State HOME funds, National Housing Trust Funds.
State Housing Trust Fund Amount	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.
Private Equity from LIHTC	Private equity generated from federal Low-Income Housing Tax Credits
Other State Source	Capital appropriations
Federal Source Summary	HUD Choice Neighborhoods, may also include other federal resources, if available direct from the Federal level
Local Source Summary	Housing Authority capital funds, local HOME funds (HUD), local housing levies, other city or county investments
Private Source Summary	Tax exempt private activity bond cap (issued by either Commission or Housing Authority), permanent loans, other federal tax credits, subordinate loans, etc.
Sponsor Source Summary	Deferred developer fee, sponsor loan, sponsor contribution, Net Operating Income (NOI) during lease-up, seller note
“Cost Per” Data	
Cost Per Unit	Total Residential Project Cost divided by Total Units
Cost Per Total Residential Square Footage	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.

2024 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, 2023, through June 30, 2024**, provided as Attachment A.

Note: Median costs, instead of average costs, are used below to capture the central location of the dataset’s distribution when outliers are present in the data.

Total Projects, Units and Median Costs – 2019-2024

Fiscal Year	Total Projects	Median units per project	Median cost per unit	Median cost per square foot
July 2023 – June 2024	45	121	\$300,222	\$363
July 2022 – June 2023	31	80	\$300,977	\$384
July 2021 – June 2022	32	99	\$316,097	\$392
July 2020 – June 2021	33	95	\$262,331	\$284
July 2019 – June 2020	43	108	\$259,105	\$280

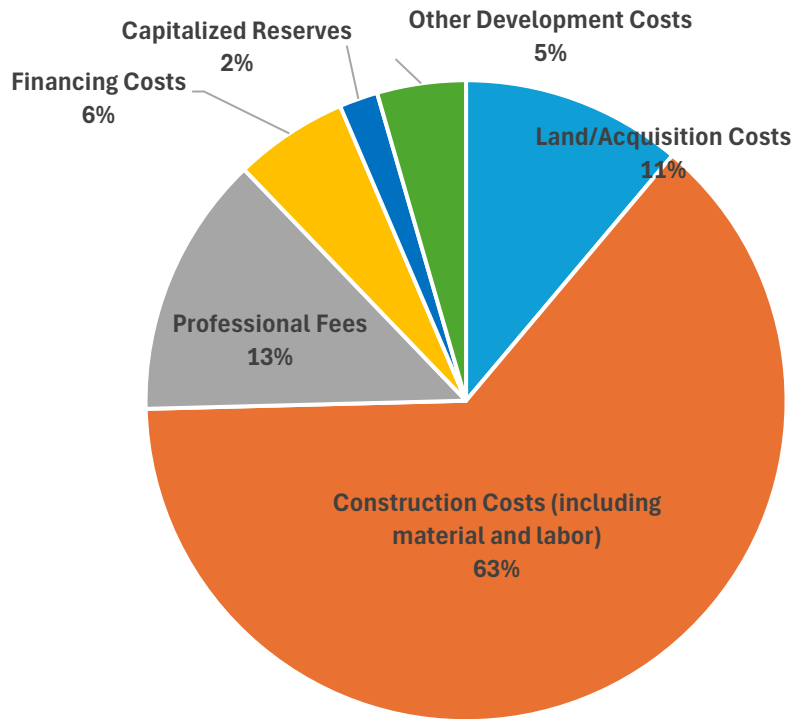
Costs by County and Construction Type – 2023-24

New Construction:		
County	Median Cost Per Unit	Median Cost Per Residential Square Foot
Chelan	\$295,878	\$264
Clark	\$323,308	\$438
Grant	\$319,943	\$282
King (All)	\$386,897	\$491
Seattle	\$390,018	\$628
Balance of King	\$380,515	\$358
Pierce	\$285,540	\$774
Skagit	\$359,070	\$431
Snohomish	\$383,060	\$310
Spokane	\$237,881	\$231
Walla Walla	\$336,358	\$343
Whatcom	\$321,565	\$302
Yakima	\$251,667	\$259
Median of All New Const:	\$350,441	\$375

Acquisition/Rehab:		
County	Median Cost Per Unit	Median Cost Per Residential Square Foot
Chelan	\$352,113	\$491
Clallam	\$213,141	\$278
Clark	\$223,216	\$411
Jefferson	\$351,726	\$624
King (All)	\$265,542	\$326
Walla Walla	\$145,478	\$199
Yakima	\$195,661	\$226
Median of All Acq/Rehab:	\$242,872	\$326

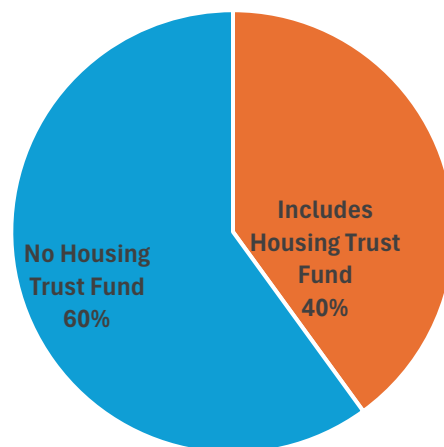
Source of Project Costs

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



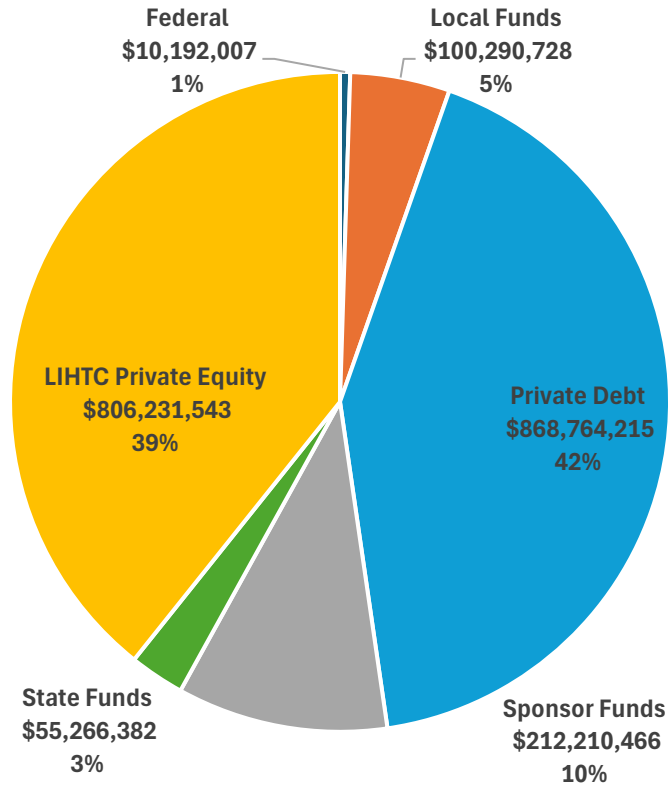
State Housing Trust Fund Involvement

How many 2023-24 projects include funding from the Washington State Housing Trust Fund?



Funding Sources in 2023-24 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.

Attachment A: Full List of 2023-24 LIHTC Projects in this Dataset

ATTACHMENT A: Full List of 2023-24 LIHTC 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
12th and Spruce Supportive Housing	Yes	Seattle	King	New Construction	103	\$ 307,837	\$985	Homeless
Admiralty Apartments	No	Port Townsend	Jefferson	Acquisition/Rehab	48	\$ 351,726	\$624	Disabled/Elderly
Auburn Court Apartments	No	Auburn	King	Acquisition/Rehab	296	\$ 241,624	\$272	Disabled/Elderly
Barkley Family Housing	Yes	Bellingham	Whatcom	New Construction	77	\$ 321,565	\$302	Disabled/Large Household
Central Park Place	Yes	Vancouver	Clark	Acquisition/Rehab	125	\$ 180,931	\$544	Homeless
Columbia Gardens	No	Vancouver	Clark	New Construction	124	\$ 323,308	\$323	Disabled/Large Household
DESC Hobson Place - Phase 2	Yes	Seattle	King	New Construction	92	\$ 341,812	\$601	Homeless
Ethiopian Village	Yes	Seattle	King	New Construction	90	\$ 381,074	\$520	Disabled/Elderly
Evergreen Commons	Yes	Walla Walla	Walla Walla	New Construction	29	\$ 336,358	\$343	Homeless
Garten Haus Apartments	Yes	Leavenworth	Chelan	Acquisition/Rehab	40	\$ 352,113	\$491	Elderly
Gonzaga Haven	Yes	Spokane	Spokane	New Construction	74	\$ 282,356	\$275	Homeless
HASC Family Housing	Yes	Mount Vernon	Skagit	New Construction	51	\$ 359,070	\$431	Farmworker
Hilltop Lofts	Yes	Tacoma	Pierce	New Construction	57	\$ 285,540	\$774	Homeless
Hinoki Apartments	No	Seattle	King	New Construction	136	\$ 629,144	\$829	General
Holly Ridge Apartments	No	Everett	Snohomish	New Construction	121	\$ 387,846	\$274	Disabled/Large Household
HopeSource III Rural Preservation Portfolio	Yes	Sunnyside	Yakima	Acquisition/Rehab	190	\$ 195,661	\$226	Disabled/Elderly/Large Househo
Horizon Housing at Together Center	No	Redmond	King	New Construction	80	\$ 366,264	\$388	Homeless
Legacy Plaza Senior Living	No	Auburn	King	New Construction	166	\$ 287,233	\$226	Disabled/Elderly
Makah Housing LIHTC Project #2	No	Neah Bay	Clallam	Acquisition/Rehab	32	\$ 242,872	\$167	Homeless/Large Household
Mattawa II	Yes	Mattawa	Grant	New Construction	60	\$ 319,943	\$282	Farmworker
Meridian Court Apartments	No	Federal Way	King	Acquisition/Rehab	200	\$ 275,937	\$504	Disabled/Elderly
Mirabeau Commons LLC	No	Spokane Valley	Spokane	New Construction	120	\$ 193,406	\$186	Disabled/Large Household
Mountainview Housing Development	Yes	Entiat	Chelan	New Construction	66	\$ 295,878	\$264	Farmworker
novo on 52nd	No	Lynnwood	Snohomish	New Construction	242	\$ 320,899	\$363	Disabled
Pine Ridge Apartments	No	SeaTac	King	Acquisition/Rehab	105	\$ 265,542	\$326	Disabled
Plum Meadows	Yes	Vancouver	Clark	Acquisition/Rehab	162	\$ 265,501	\$279	General
Pointe by Vintage	No	Des Moines	King	New Construction	161	\$ 414,221	\$358	Disabled/Large Household
Polaris at SeaTac	No	Seatac	King	New Construction	365	\$ 330,222	\$444	Disabled/Large Household
Polaris at Together Center	No	Redmond	King	New Construction	200	\$ 380,515	\$473	Disabled/Large Household
Public Plaza LLLP	No	Port Angeles	Clallam	Acquisition/Rehab	218	\$ 183,410	\$388	Disabled
Quinn by Vintage	No	Shoreline	King	New Construction	227	\$ 395,021	\$224	Disabled/Large Household
Ravenswood Apartments	No	Lynnwood	Snohomish	New Construction	295	\$ 383,060	\$259	General
Second and Mercer Housing	No	Seattle	King	New Construction	93	\$ 386,897	\$1,084	Disabled/Homeless
Station by Vintage	No	Covington	King	New Construction	197	\$ 409,355	\$216	Disabled/Large Household
Stonewood II	Yes	Yakima	Yakima	New Construction	42	\$ 251,667	\$259	Farmworker
Sunset Oaks	No	Renton	King	New Construction	60	\$ 435,569	\$701	General
Tenny Creek Assisted Living	Yes	Vancouver	Clark	New Construction	40	\$ 338,431	\$438	Homeless
The Farm by Vintage	No	Mill Creek	Snohomish	New Construction	354	\$ 424,793	\$446	Large Household
The Maddux	No	Seattle	King	New Construction	203	\$ 394,119	\$605	Disabled/Large Household
The Meridian	Yes	Vancouver	Clark	New Construction	46	\$ 231,548	\$555	Homeless
Tukwila Village Phase 2 Senior Living	No	Tukwila	King	New Construction	210	\$ 276,593	\$233	Disabled/Elderly
Uncle Bob's Place	No	Seattle	King	New Construction	126	\$ 393,138	\$491	Disabled/Large Household
Vantage II	No	Lynnwood	Snohomish	New Construction	176	\$ 367,449	\$310	Disabled/Large Household
WWHA Housing Preservation Project	Yes	Walla Walla	Walla Walla	Acquisition/Rehab	96	\$ 145,478	\$199	Disabled/Elderly
Yesler Family Housing	No	Seattle	King	New Construction	156	\$ 515,339	\$652	Disabled/Large Household