

Total Development Cost Limit Policy in 2022 & Beyond

*Opening doors to a better life through
affordable housing
and strong communities*



WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**



Background

- **Total Development Cost (TDC) Limits were developed in 2012 using historical cost data**
- **TDC Limits adjusted over time using Engineering News Record (ENR)**
- **Ongoing concern around implementing cost-containment policies that acknowledges public benefit**



Objectives & Timeline

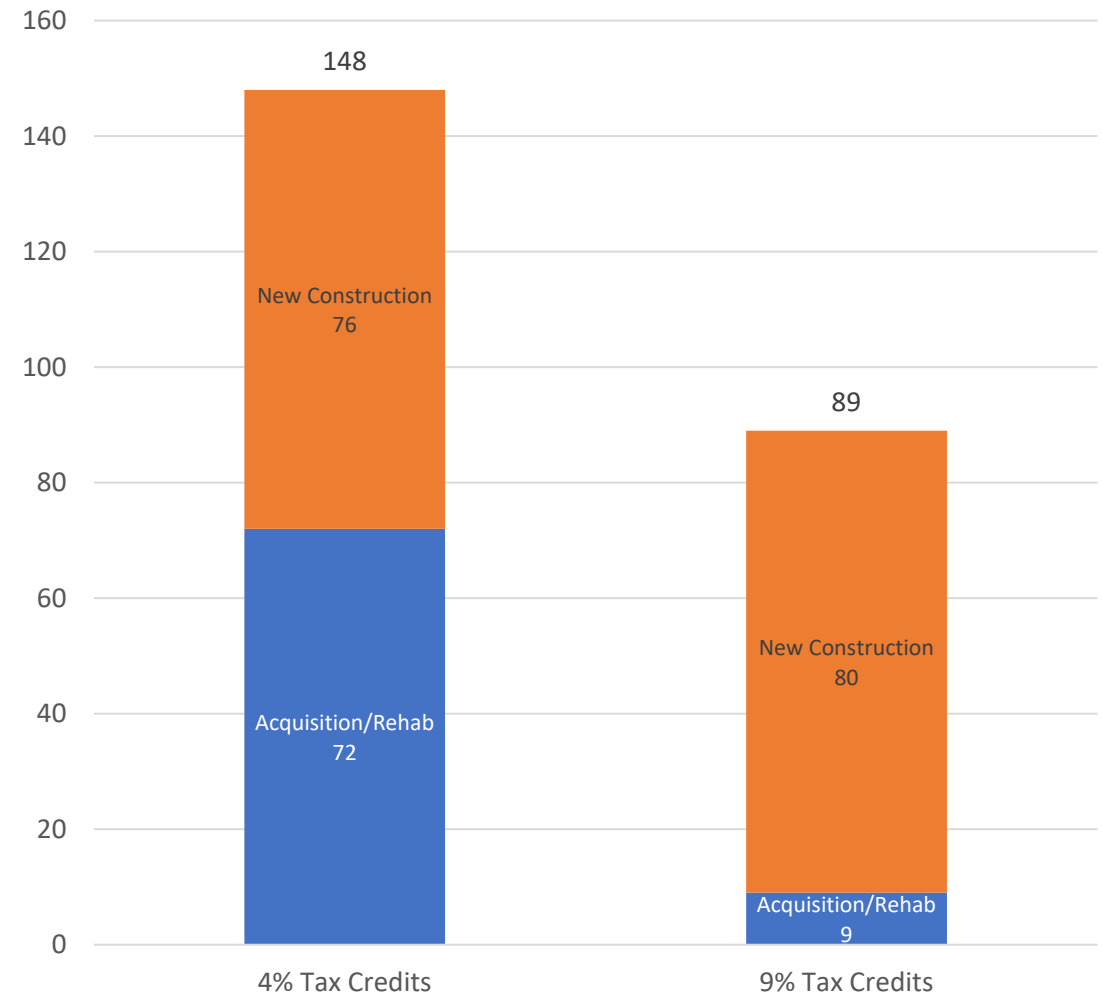
- **Update current TDC Limits using historical cost data**
- **Determine boosts for scoring purposes**
- **Assess cost containment policy impacts and bring strategic alternatives that balance cost containment and desired public benefits for 2022**



Total Development Cost Limits

Methodology

- 237 projects, final cost certifications from 9% and 4% projects with closing dates between 2013-2019
- Used ENR cost index data to adjust for inflation in project costs
- Looked at geographic differences and analyzed per bedroom size costs, on average and at 75th percentile, and compared to current 2021 TDC limits
- Analyzed TDC waiver data and considered cost impacts from policy changes



Total Development Cost Limits

Findings & Recommendations

- 36% of projects in King County with 50% of those in Seattle, however, dataset includes projects across Washington state
- Over half of projects in dataset were financed using Bonds with 4% Tax Credits
- Recommend a separate Seattle TDC limit due to cost differential observed between Seattle and King County projects
- Recommend new 3+ bedroom limit due to limited data for larger unit sizes. The higher of the average of 3 and 4+ bedroom limits and the 75th percentile was applied (resulting in higher 3+ bedroom limits in both King and Seattle)
- Propose to apply higher of the 2021 limits or the 75th percentile as our dataset showed actual costs are mostly below the limits. This resulted in an upward adjustment for larger bedrooms in King County as well as 2 bedrooms unit sizes in Balance of State

Boosts

Commission staff will allow 'boosts' to the applicable total development cost limit to further acknowledge the impact of certain cost drivers on projects' total development costs.

Eligible for a boost up to an aggregate of 10% of the project's total development cost (minus the cost of land, the costs associated with offsite infrastructure improvements and the capitalized reserves).

1. *Commercial Wage Rates*
2. *Required Structured Parking*

The *sustainable building features* listed below are each eligible for a 'boost' and are not subject to the 10% cap.

1. Heat pump hot water heating
2. Ductless/or ducted heat pumps for HVAC
3. Balanced ventilation with energy recovery and MERV 17 or greater filtration (rehab only)

