



Comparing Costs and Characteristics of Housing Assistance Programs

Proposed Final Report

Joint Legislative Audit & Review Committee
January 7, 2009

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JLARC Staff



Why JLARC Did This Study

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2007-09 Operating Budget directed JLARC to:

Conduct an evaluation and comparison of the cost efficiency of rental housing voucher programs versus other housing programs intended to assist low-income households

SHB 1128 § 103(3)

Developed a Life-Cycle Cost Model



- To answer the Legislature's questions, JLARC developed a model for analyzing the life-cycle costs of low-income housing developments
- JLARC then compared the costs for capital developments to the costs for vouchers for units with the same number of bedrooms in the same general location

What JLARC Found



- In an analysis that accounts for all direct costs and funding sources, JLARC found that voucher programs generally cost less than capital programs
- While this result might imply that state support for capital programs should be eliminated in favor of vouchers, JLARC does not support that conclusion for two main reasons

Caution About Shifting State Funding Entirely to Vouchers



- First, housing professionals believe both approaches have unique benefits and both are necessary to address specific needs
- Second, there is a risk that some developments receiving state funding may not be economically feasible without the state's share of funding

JLARC Focused on Five Questions



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Research for this report centered on the five questions included in our March 2008 Scope and Objectives statement

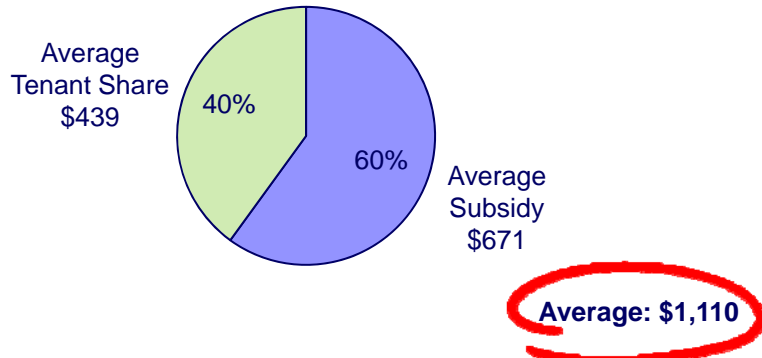
1) What Do Capital Programs Cost?



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Capital Programs: Cost per Unit
Average Monthly Cost (2008 Dollars)



Source: JLARC analysis of 50 developments completed in 2006. Data from the Housing Finance Commission and the Department of Community, Trade and Economic Development, Housing Division.

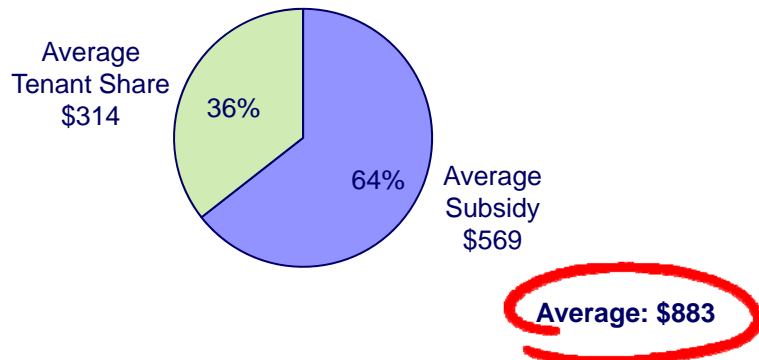
2) What Do Vouchers Cost?



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Voucher Programs: Cost per Unit
Average Monthly Cost (2008 Dollars)

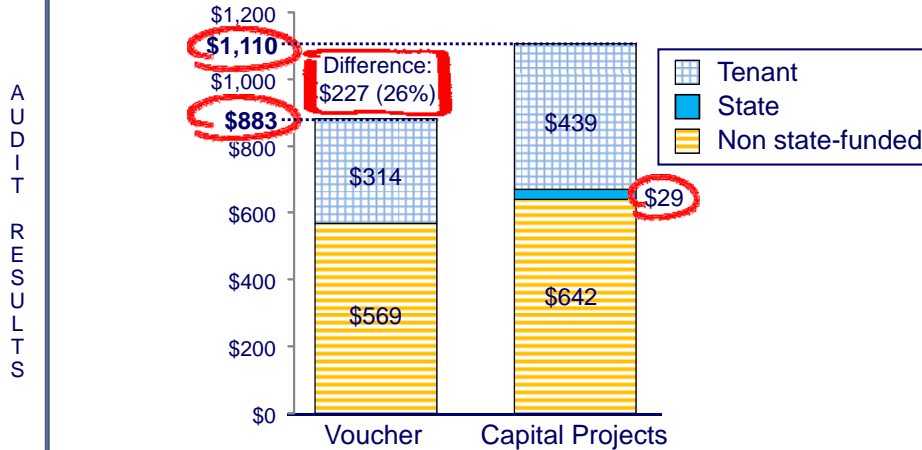


Source: JLARC analysis of data from Washington housing authorities.

3) How Do Costs for Capital and Voucher Programs Compare?



Capital Unit Costs Exceed Comparable Voucher Costs by 26%

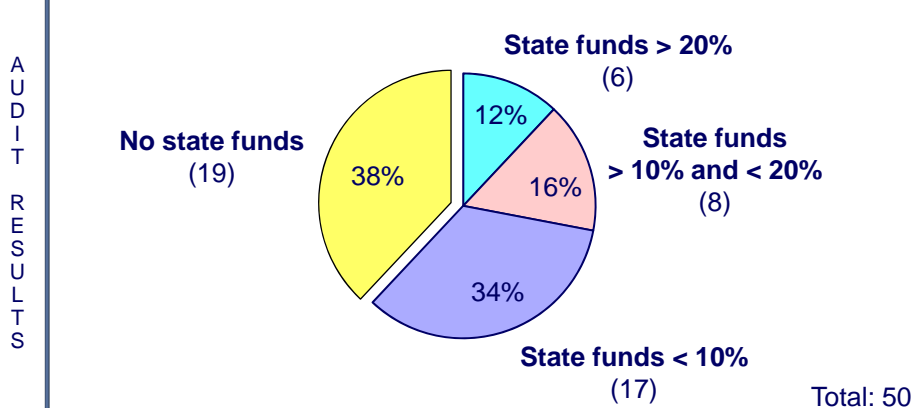


Source: JLARC analysis of 50 developments completed in 2006. Data from the Housing Finance Commission and the Department of Community, Trade and Economic Development, Housing Division.

4) How Many Developments Get State Funding and How Much Do They Get?



State Contributions to Capital Developments
As a Percent of Contributions from All Sources



Source: JLARC analysis of data from the Washington State Housing Finance Commission and the Department of Community, Trade and Economic Development, Housing Division.

5) Other Than Cost, What Other Factors Should Be Considered?



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- Aside from cost, housing professionals suggest there are advantages to both voucher and capital programs
- Capital programs increase the supply of affordable units and they provide additional services for persons with special needs
- Vouchers may provide more freedom for recipients to live in a location of their choosing

JLARC Conclusions



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- Vouchers generally cost less than capital programs
- Do not recommend elimination of state support for capital programs because they may be the best option to address specific needs
- Better cost data and analysis are needed to fully understand costs and compare alternatives

What JLARC Recommends



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CTED's Housing Division and the Housing Finance Commission should **include life-cycle cost analysis as part of their processes for evaluating proposals** for state-administered funding

Housing Finance Commission, CTED's Housing Division, and OFM concur

Agency Responses



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However, agency responses suggested life-cycle cost analysis is **only** useful for comparing similar projects

JLARC would like to clarify that projects **do not** need to be similar in order to compare costs

Life-cycle cost analysis allows funders to compare costs for proposals competing for limited funds

Questions?



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