Comparing Costs and Characteristics of Housing Assistance Programs

Proposed Final Report

Joint Legislative Audit & Review Committee
January 7, 2009

David Dean and Joy Adams
JLARC Staff

Why JLARC Did This Study

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

Research for this report centered on the five questions included in our March 2008 Scope and Objectives statement.
1) What Do Capital Programs Cost?

- **Average Monthly Cost (2008 Dollars):**
  - **Average Subsidy:** $671 (60%)
  - **Average Tenant Share:** $439 (40%)

**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.

**Average:** $1,110

2) What Do Vouchers Cost?

- **Average Monthly Cost (2008 Dollars):**
  - **Average Subsidy:** $569 (64%)
  - **Average Tenant Share:** $314 (36%)

**Source:** JLARC analysis of data from Washington housing authorities.

**Average:** $883
3) How Do Costs for Capital and Voucher Programs Compare?

Capital Unit Costs Exceed Comparable Voucher Costs by 26%

<table>
<thead>
<tr>
<th>Tenant</th>
<th>State</th>
<th>Non state-funded</th>
</tr>
</thead>
<tbody>
<tr>
<td>$642</td>
<td>$314</td>
<td>$569</td>
</tr>
<tr>
<td>$29</td>
<td>$439</td>
<td>$439</td>
</tr>
<tr>
<td>$569</td>
<td>$642</td>
<td>$883</td>
</tr>
</tbody>
</table>

Difference: $227 (26%)

$1,110

$1,000

$883

$600

$400

$200

$0

Voucher

Capital Projects


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

<table>
<thead>
<tr>
<th>State funds &gt; 20%</th>
<th>State funds &gt; 10% and &lt; 20%</th>
<th>State funds &lt; 10%</th>
</tr>
</thead>
<tbody>
<tr>
<td>(6)</td>
<td>(8)</td>
<td>(17)</td>
</tr>
</tbody>
</table>

No state funds (19)

38%

12%

16%

34%

State funds < 10% (17)

Total: 50

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

- 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

- 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**

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**

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?

Contact Information:
David Dean          Joy Adams
360-786-5293       360-786-5297
dean.david@leg.wa.gov  adams.joy@leg.wa.gov

www.jlarc.leg.wa.gov