

# Cost Driver Analysis

May 2020

# Together, We Can Reduce the Cost of Permanent Supportive Housing (PSH)

## Current development

Avg Cost per unit:

**\$331,953**

## Target

Avg Cost per unit:

**\$284,200**

**Savings 14% \$47,753/unit \$4,775,300/project**

# Opportunities for Cost Reduction

**1. Create  
unique PSH  
land use code**

Enabling factor

**2. Secure  
regulatory  
exemptions**

\$35,856  
Savings/unit

**3. Reduce land  
costs**

\$30,000  
Savings/unit

**4. Consolidate  
capital stack**

\$16,053  
Savings/unit

**5. Alternative  
construction  
technology**

\$86,980  
Savings/unit

# 1. Create Unique PSH Land Use Code

Enabling factor

## Current

**Classified under 23.42.048**

- PSH is forced to conform to legislation that is optimized for market construction
- Current standard create risks for PSH resident safety
- PSH has no ongoing cash revenue. As such, requires unique operations standards

## Proposed

**Create unique building code for PSH**

- Enables legislative flexibility in construction, permitting, and development process and cost
- Allows for construction optimized for PSH needs
- Relieves requirements for commercial space, bike parking, and storage/layout that do not work for PSH residents

## 2. Secure Regulatory Exemptions

Fees, taxes, hook-ups, and permitting

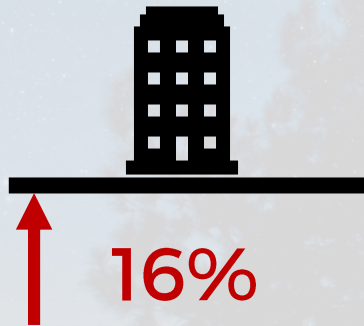
\$35,856 Savings/Unit

Category	Savings per project	Approach
Construction contingencies	\$77,375	Cascading savings from reduced GC cost
General contractor cost	\$189,650	1% GC cost reduction through multi-project contracting
Utility, hook-ups, fees, and installations	\$765,000	Legislation to allow for exemptions from utilities and city requirements and fees
Sales tax	\$2,263,043	Exemption at state level

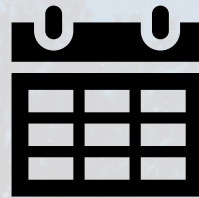
large scale of project = higher negotiating leverage = cost savings

### 3. Reduce Land Costs

\$30,000 Savings/Unit

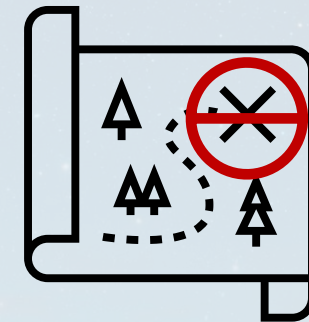


Land contributes an average of 16% of total project cost



2+ years

Acquisition of a site can take years and demands large time effort and money from PSH providers



Lack of sites and community resistance is the biggest barrier to new PSH development

# 4. Consolidated Capital Stack

\$16,053 Savings/Unit

## Current Permanent financing

Source	Amount
LIHTC	\$16,500,000
County	\$500,000
City	\$8,000,000
Housing Trust Fund	\$3,000,000
Sponsor Loans	\$2,000,000

## Proposed Permanent & development financing

Source	Amount
Public-private partnership	\$30,000,000

## Development financing

Pre-development advance financing	Amount	Interest & fees associated
PSH Org. Predevelopment Loan	\$3,200,000	\$200,000
Bridge Loan	\$2,800,000	\$300,000
Construction Loan	\$12,500,000	\$900,000

**Savings potential \$1.25 Million**

## Consolidated funding pool

- Can provide funds when they are needed (removing loans & interest)
- Lowers overhead cost of managing finances
- Accelerates rate of project approval

# 5. Alternative Construction Technology

\$86,980 Savings/unit

## Cross Laminate Timber (CLT)

- Rapid onsite construction
- Able to build 2 to 3 floors higher than traditional wood frame

## Modular or Prefab

- Variability in cost depending on provider
- Low flexibility in design of apartments and sizing

## Non-Podium Wood frame

- Typical for efficiency apartment units
- Lower unit counts per building



# Building a portfolio (example)

Project Profile	Traditional	Regulatory Exemptions	Reduced Land Costs	Consolidated Capital Stack	Alternative Construction	Comprehensive Optimization
Units Per Project	102	102	102	102	80	80
Cost Per Project	\$34,855,072	\$31,090,191	\$31,705,072	\$33,169,550	\$20,787,629	\$15,611,895
Project Cost/Unit	\$331,953	\$296,097	\$301,953	\$315,900	\$253,508	\$190,389
Number of Projects	5	11	8	10	10	8

Total Units Built 4,908

Average Cost/Unit

**\$284,200**

# What's Next

## Legislative Asks

- PSH as unique building code type
- City/County site acquisition and facilitation
- Permitting and hook-ups exemption
- Expedite time to inspect
- Sales Tax exemption

## Continue the Conversation

- Share your ideas
- Add data to our analysis
- Give your insight & expertise