



# BENDING THE COST CURVE: CONSTRUCTION AND DEVELOPMENT STRATEGIES

**July 19, 2019**

CohnReznick LLP



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# LIHTC DEMAND INDICATORS

- Harvard Joint Center for Housing; 2019 State of the Nation's Housing:

## The Good

- *“The American Community Survey reports that the share of cost-burdened households inched down 0.5 percentage point to 31.5% – some 5.7% below the 2010 peak.”*

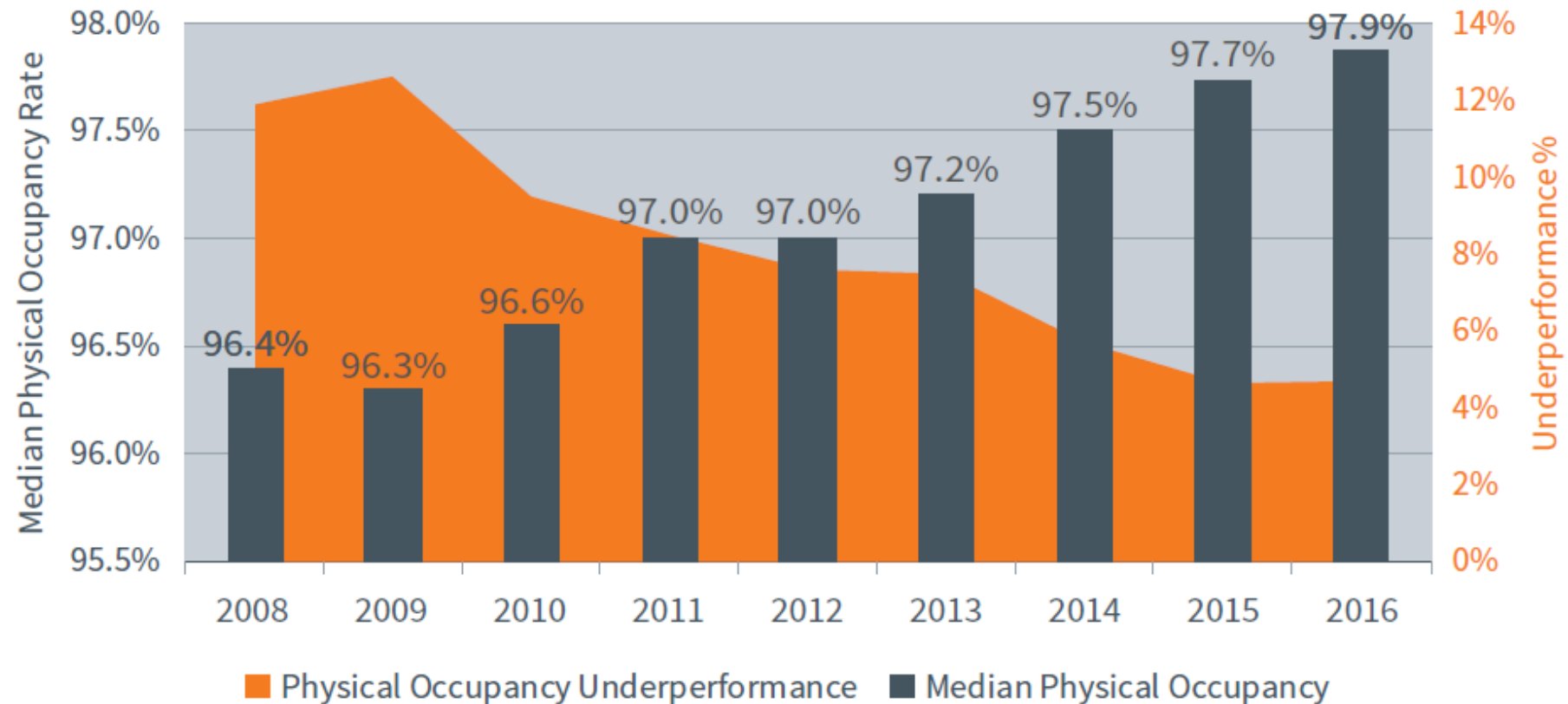
## The Bad

- *“47.4% of **renter** households remained cost burdened, with the share improving just 0.1% in 2016 - 2017. As a result, cost-burdened renters now outnumber cost-burdened homeowners by more than 3.0 million.”*
- *“Housing construction has barely kept pace with household growth for an unprecedented eight years”*



# LIHTC DEMAND INDICATORS

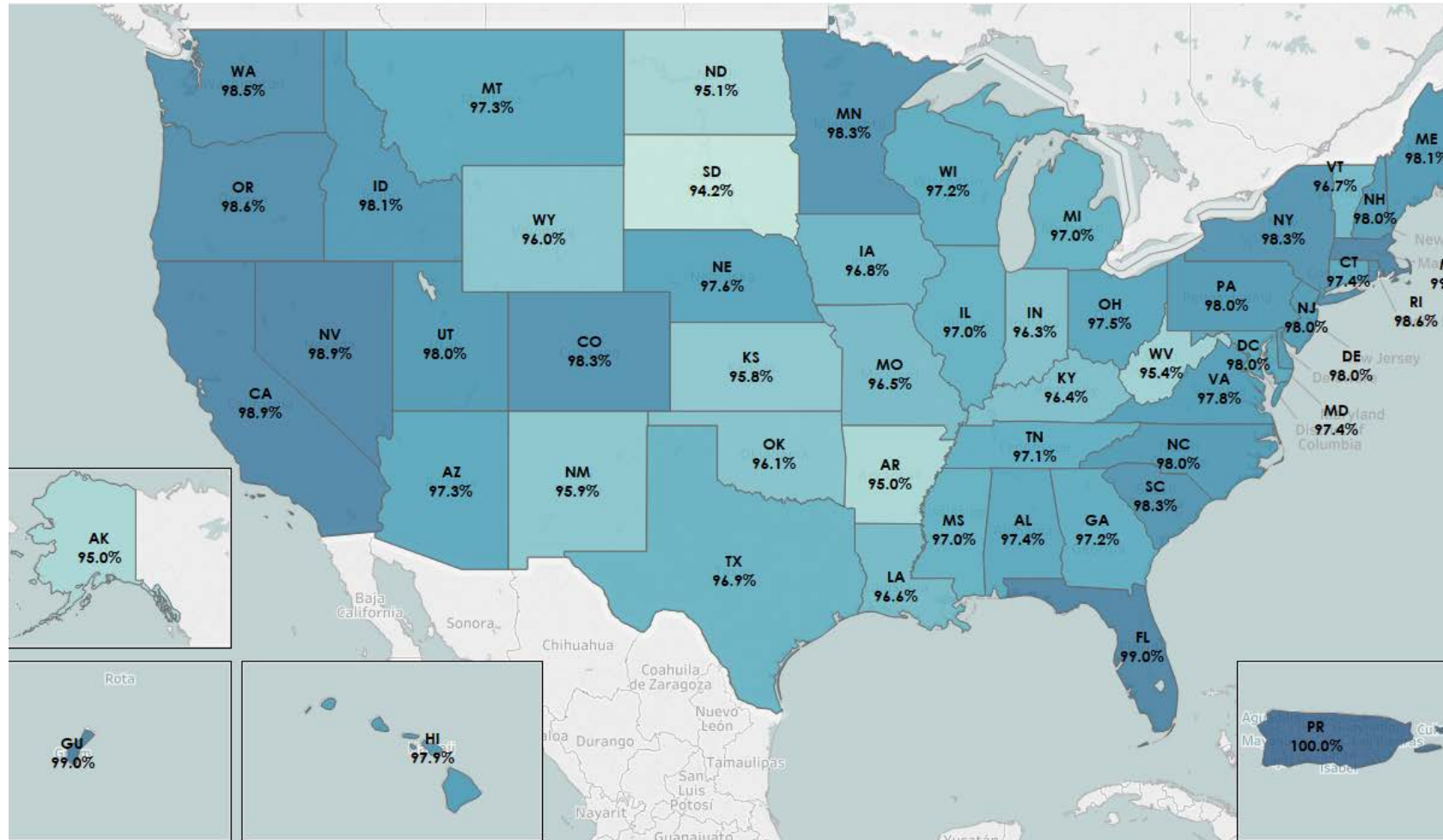
## National Physical Occupancy Trend: 2008–2016





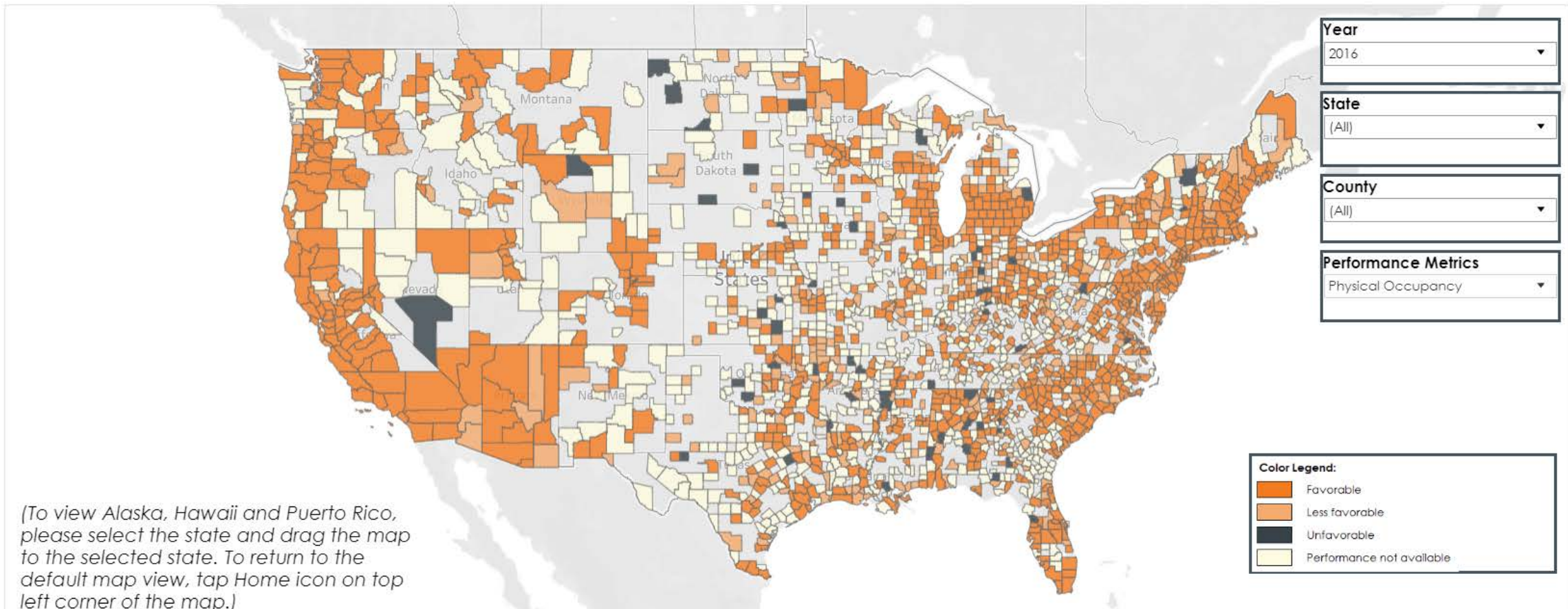


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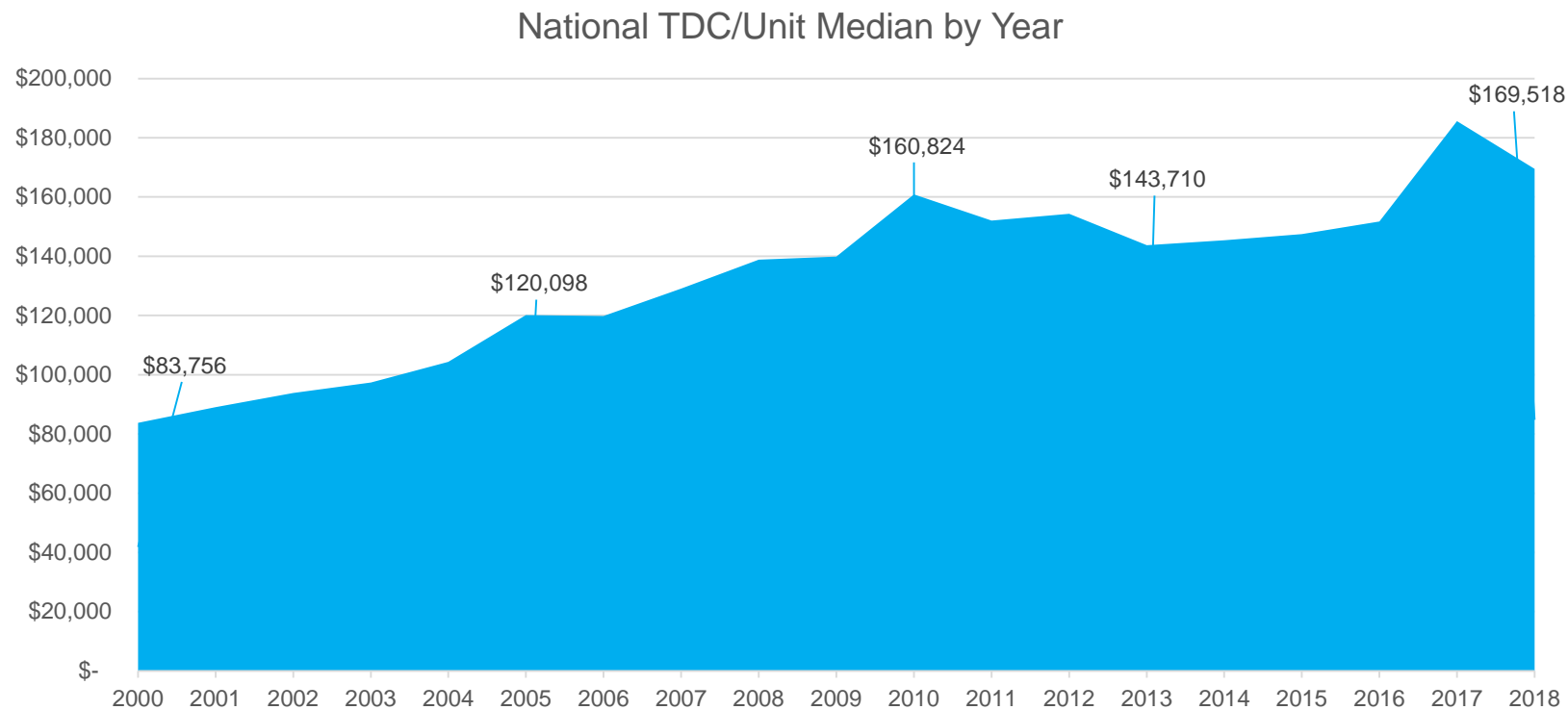


# LIHTC DEMAND INDICATORS





# LIHTC TOTAL DEVELOPMENT COST TREND



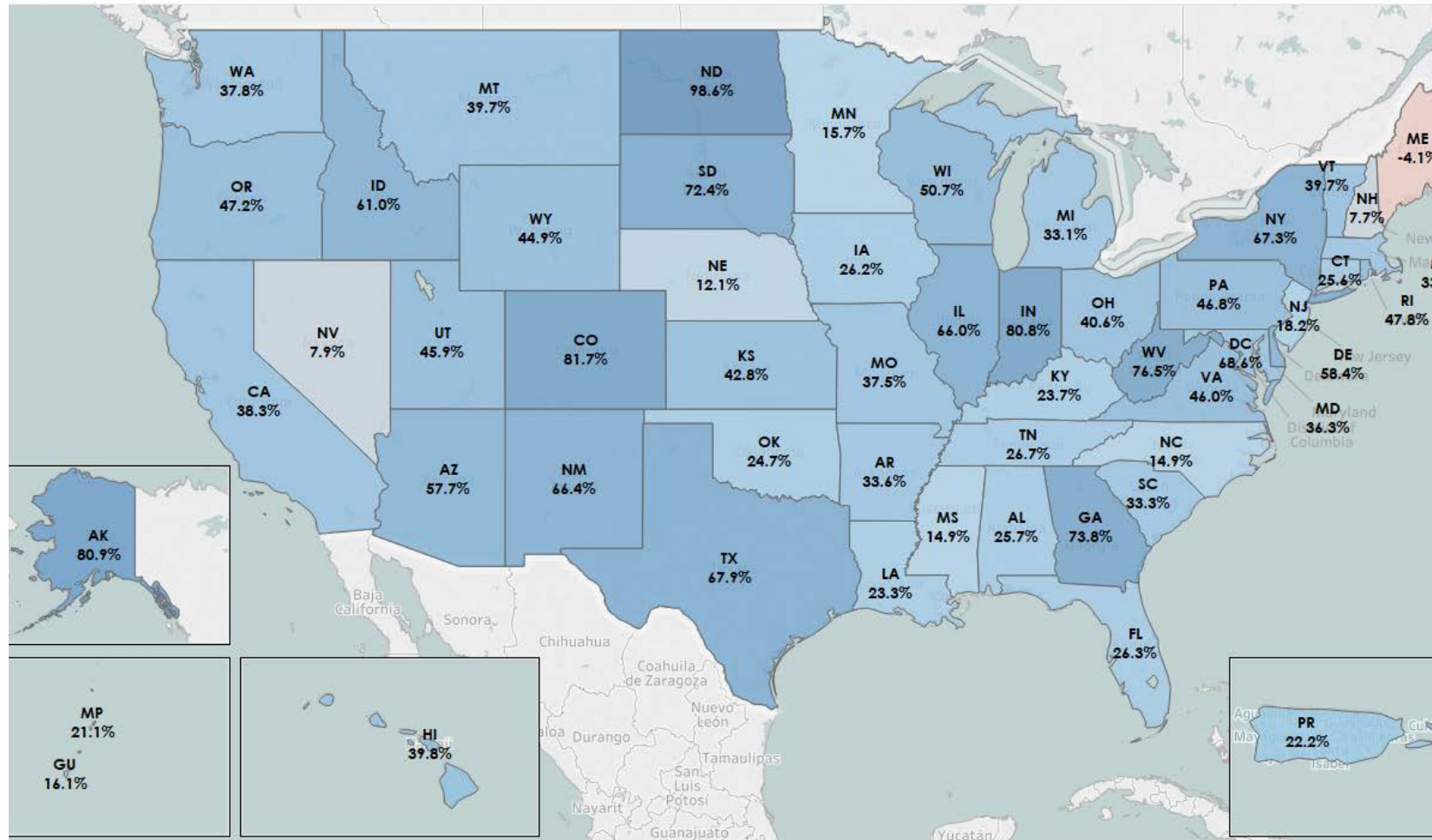
The national median total development cost for LIHTC properties in the CohnReznick database has increased by 5% annually since 2000.

**LIHTC properties increased by 7% annually since 2013 vs. 6.8% among conventional multifamily housing.**





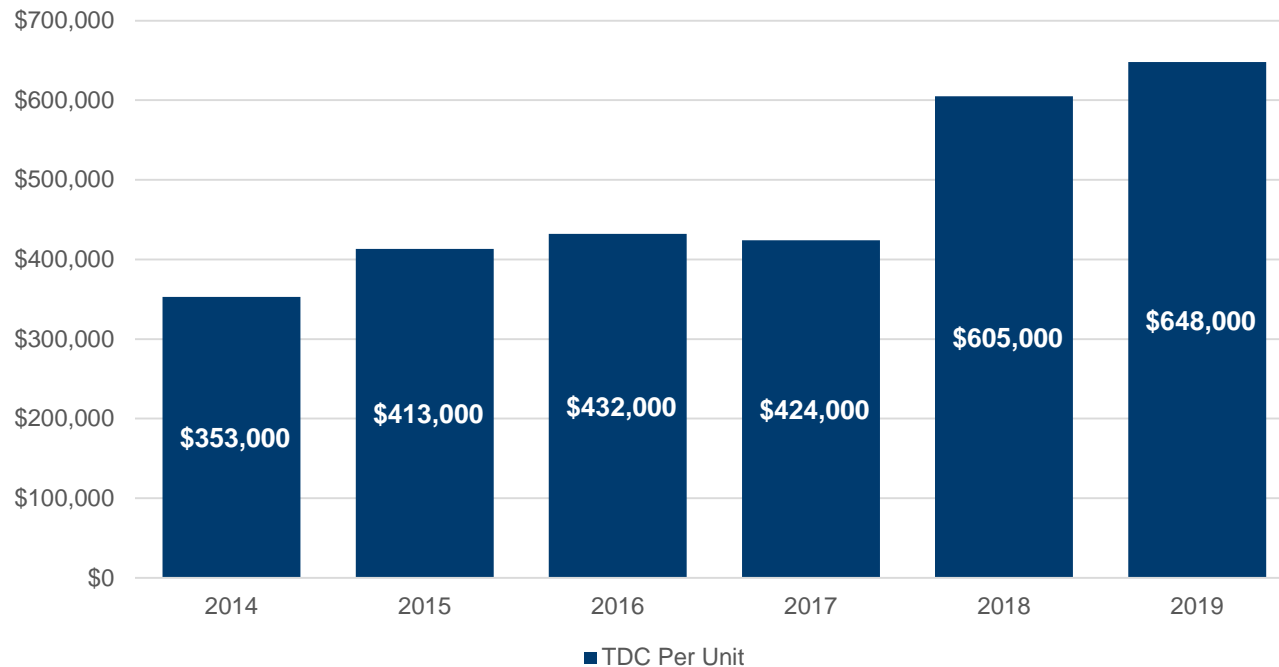
# LIHTC TOTAL DEVELOPMENT COST TREND





# NEW YORK, NY - COST TRENDS

New York, NY; Cost Trend

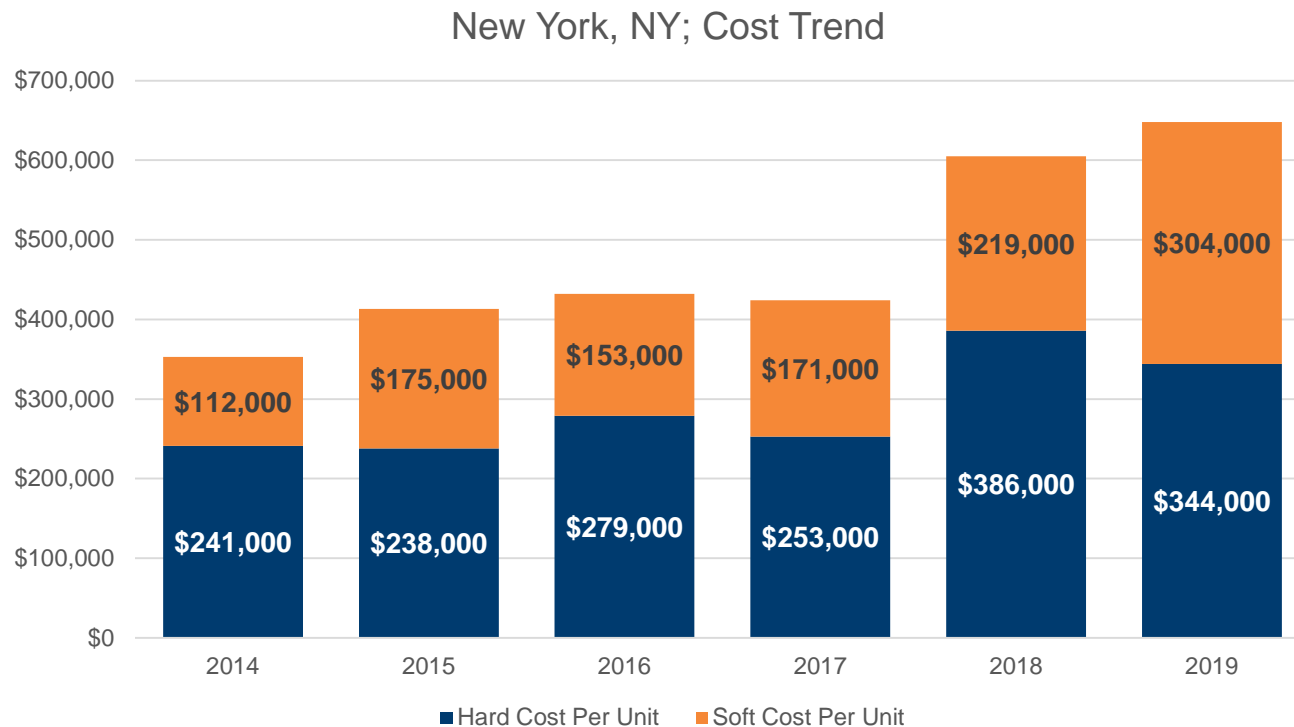


Limited sample size notwithstanding, total development costs in New York, NY increased by 14% annually since 2014.





# NEW YORK, NY - COST TRENDS

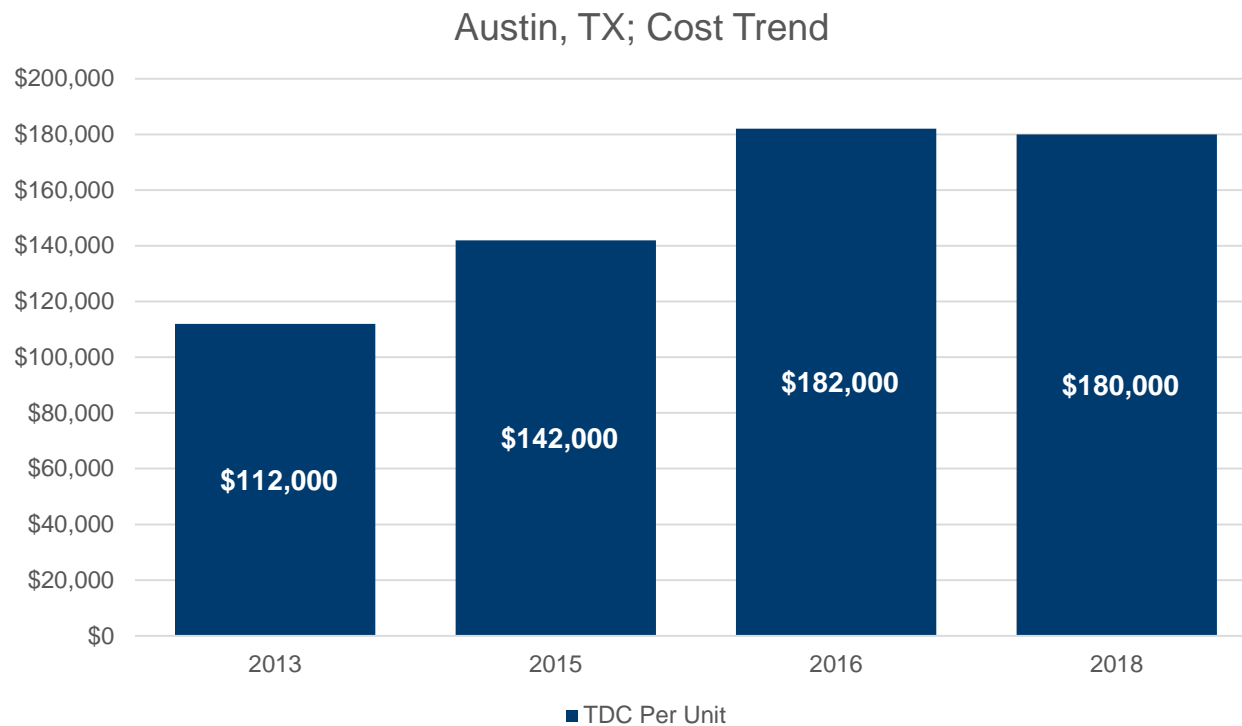


Limited sample size notwithstanding, total development costs in New York, NY increased by 14% annually since 2014.

**Hard costs in New York, NY increased by 10% annually since 2014; soft costs increased by 24% annually.**



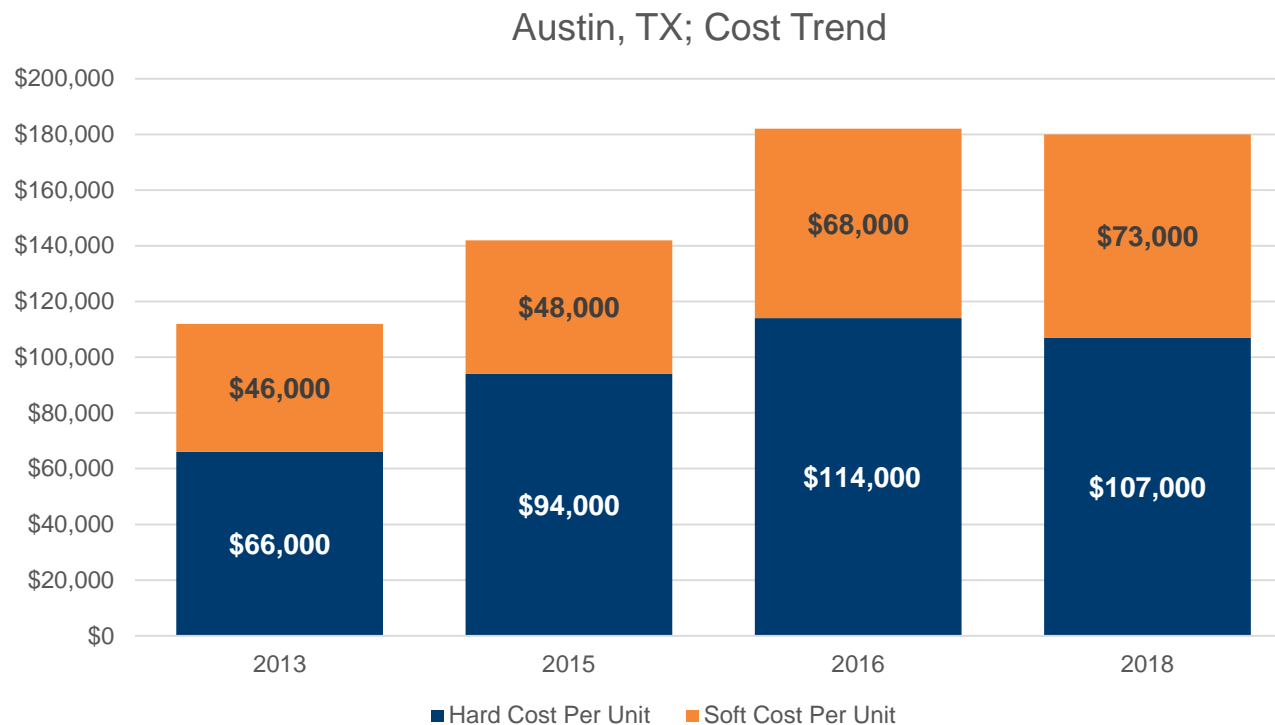
# AUSTIN, TX - COST TRENDS



Total development costs in Austin, TX increased by 18% annually since 2014.



# AUSTIN, TX - COST TRENDS



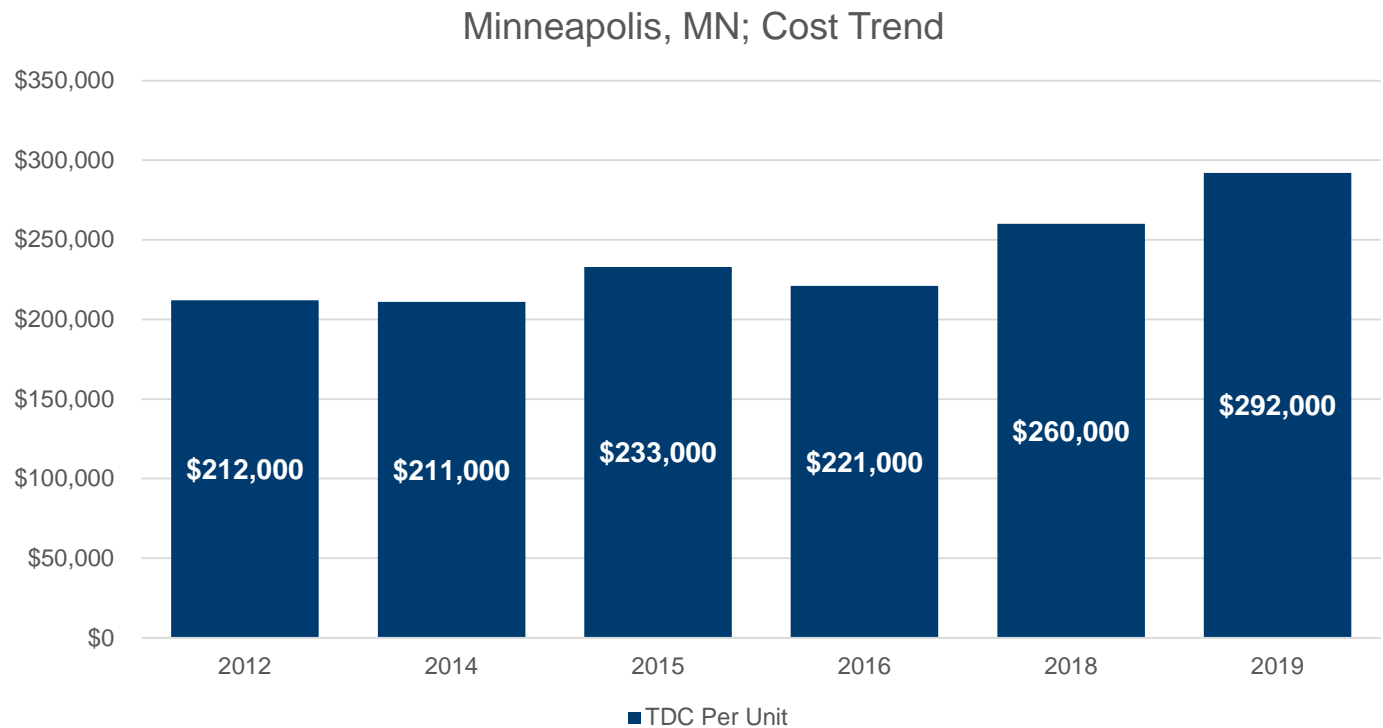
Total development costs in Austin, TX increased by 18% annually since 2014.

**Hard costs in Austin, TX increased by 19% annually since 2013; soft costs increased by 18% annually.**





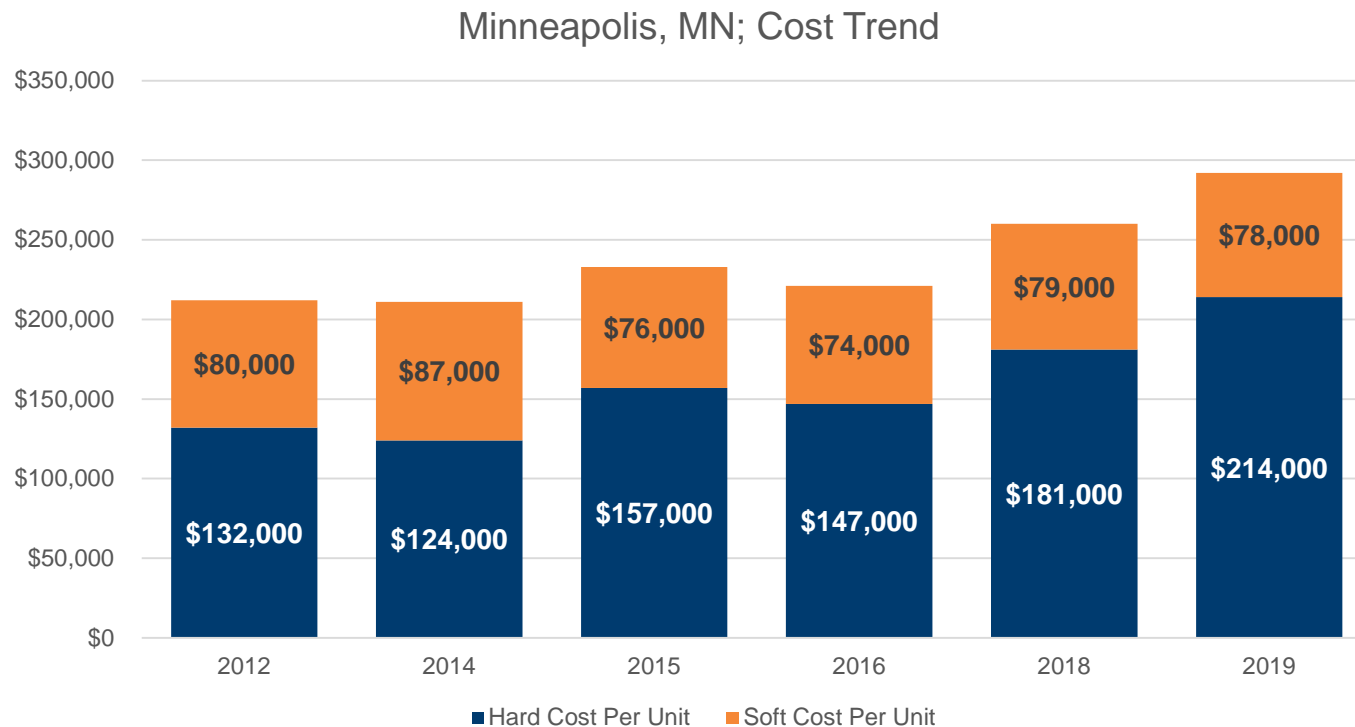
# MINNEAPOLIS, MN - COST TRENDS



Limited sample size notwithstanding, total development costs in Minneapolis, MN increased by 7% annually since 2012.



# MINNEAPOLIS, MN - COST TRENDS



Limited sample size notwithstanding, total development costs in Minneapolis, MN increased by 7% annually since 2012.

**Hard costs in Minneapolis, MN increased by 11% annually since 2012; soft costs decreased by 0.3% annually.**

***Hypothesis: Minnesota has included cost containment methodology in its QAP for many years and may be contributing to the decrease in soft costs.***