

2024 Bond/Tax Credit Program Proposed Policy Updates

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WASHINGTON STATE
**HOUSING FINANCE
COMMISSION**



Agenda



Welcome



Introductions and Acknowledgements



Overview of Proposed Changes



Open Questions/Discussion



2024 – Policy Changes and Clean Up!



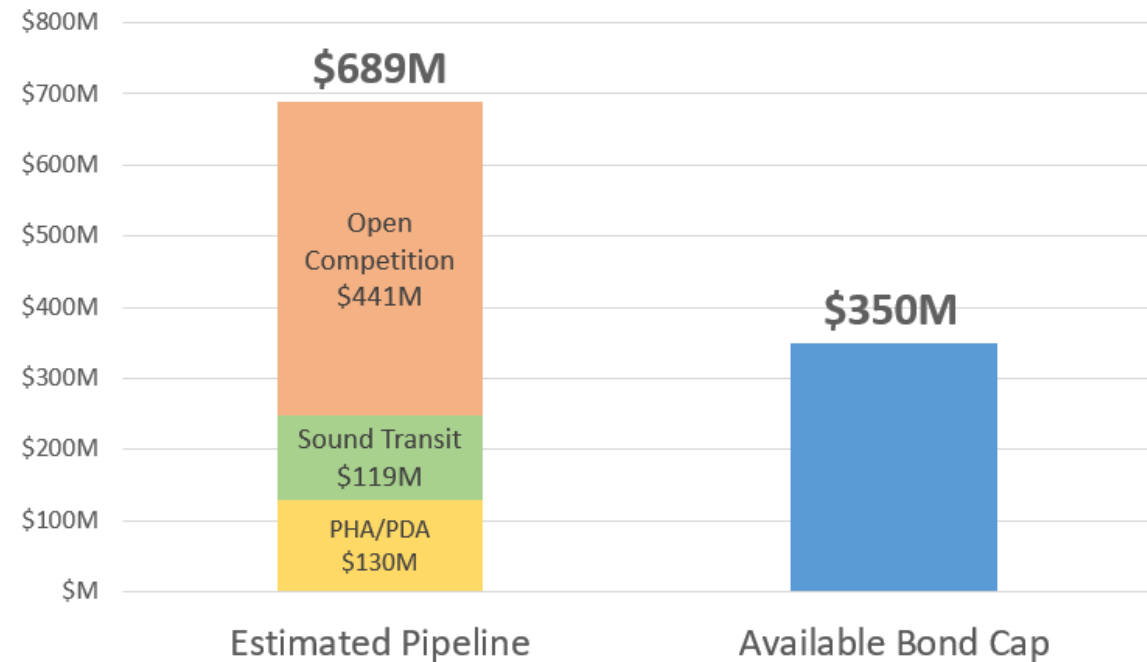
- Focused Policy Changes
 - Bond Cap Allocation Process – Seattle/King County
 - Projects By and For Community/CBOs
 - Energy Efficiency
- Clean Up
 - Language – Aligning/clarifying Policy with intent and practice
 - Procedural – technical fixes of forms and process

Seattle/King County Pipeline: Issue

- Demand for bond cap is triple the available resources
- Need to collectively pipeline, intentionally and transparently
- How to create predictable tracks for projects?

From HDC Tax Credit Affinity Group Presentation: July 2023

Estimated Pipeline & Current Bond Estimates



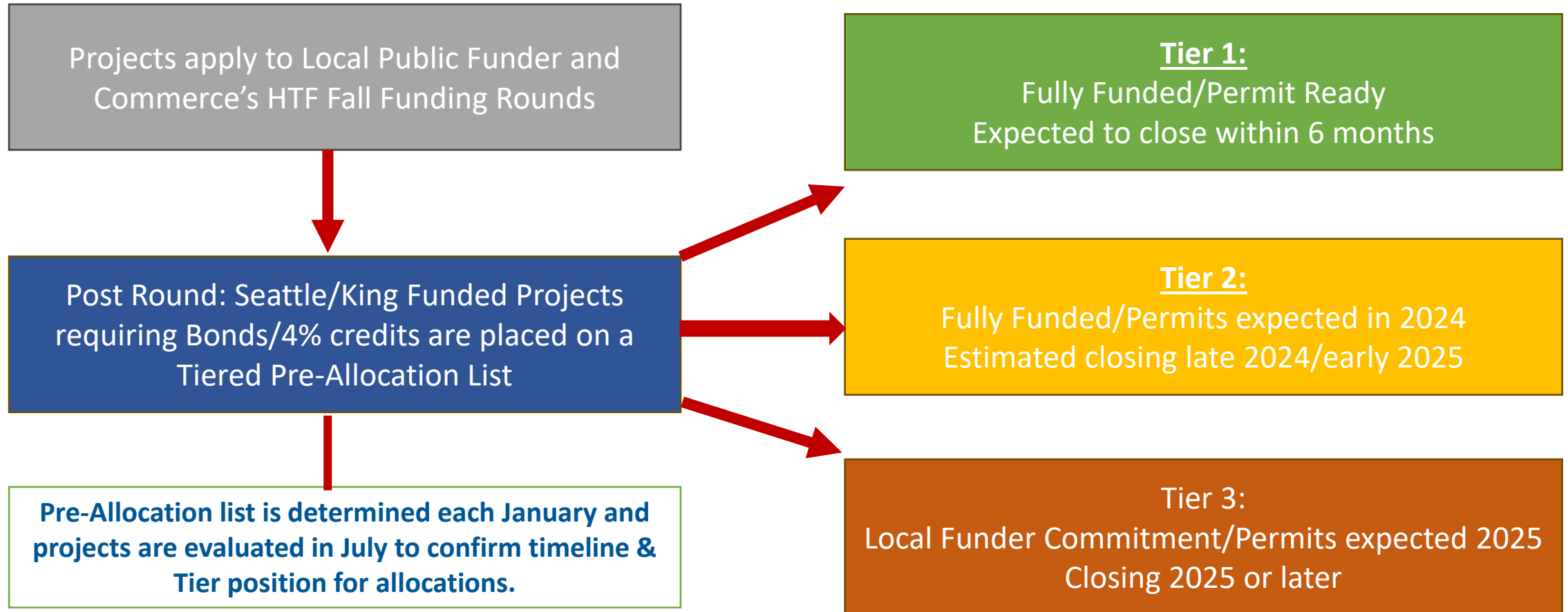
Proposed Change: Section 1.1.1.1 (Tiered Approach)

For King County, projects must have at least 10% public support in Seattle and 5% in King County to be considered for an allocation of bond cap. Project will apply to city, county, and/or state funders in their standard rounds of competitive financing. **Projects awarded funding are then put on a tiered list.** Projects apply for bond financing only when they are on Tier 1 and ready to proceed to closing. Projects with expiring DDAs and QCTs or other expiring funding eligibility may be given priority.

- **1) Tier 1 projects** are fully-funded and permit-ready, with the process to secure lender and investor commitments in progress, and ready to hold their initial scoping meeting. They are expected to close within six months of being placed on Tier 1. The King County public funders will establish a process to determine further priority in the Tier if necessary.
- **2) Tier 2 projects** are fully-funded and expect to receive permits in the calendar year. Projects in this tier may be elevated to Tier 1 depending on bond cap availability and project readiness.
- **3) Tier 3 projects** have local funder commitments and expect to receive permits in the next calendar year.

Each January and July, the Commission may re-evaluate which projects are on which Tier and reposition projects in accordance with bond cap availability and readiness.

Example of Pipeline Process



Related Changes: Sections 1.2

Section 1.2: Bond Policy Values and Outcomes

Snohomish Projects: *(Policy Change)*: Projects in Snohomish County will compete with other projects in Balance of State. The Commission will allocate bonds to no more than one project or no more than 10% of the available bond cap, whichever is larger, in any one calendar year, unless waived by the Division Director.

Tracking Targets Over Time: *(Language Clean Up)*: Targets may be considered over a rolling multi-year period, where some targets may be over or under in any given allocation round, but target prioritization will adjust accordingly over a three-year period to achieve these stated goals.



Related Changes Section 3.15 Project Financing

*Removes appraisal deposit requirement

3.15.1.a Projects located in King County: The lender(s) and/or credit enhancer involved in the financing of the project must be identified and engaged in the project before an application for Bond/Tax Credit financing will be accepted. Applicants must submit a copy of each lender's signed term sheet that has been accepted by the Applicant.

3.15.1.b Projects in Balance of State: The lender(s) and/or credit enhancer involved in the financing of the project must be identified in the project before an application for Bond/Tax Credit financing will be accepted. The applicant must submit a letter of interest from the bank that includes the following information:

- Estimated maximum tax-exempt bond amount and interest rate
- Estimated maximum taxable bond amount (if applicable) and interest rate
- Identification of other sources of financing and estimated amounts
- The number of units, low-income set-asides, and any special populations served
- History of working with the developer and/or WSHFC



Related Changes Section 3.15 continued

3.15.2 Tax Credit Investor

- The tax credit investor/syndicator **must also be engaged at the time of application.**
- 3.15.1.a Projects located in King County
 - Applicants must submit a copy of the Tax Credit Investor's Letter of Intent (LOI) as an attachment to the Application.
- 3.15.1.a Projects located in King County
 - Investors in the financing of the project must be identified in the project before an application for Bond/Tax Credit financing will be accepted. **The applicant must submit a letter of interest from the investor that includes the following information:**
 - Estimated pricing of the tax credits
 - Identification of other sources of financing and estimated amounts
 - The number of units, low-income set-asides, and any special populations served
 - History of working with the developer and/or WSHFC

2.3 Maximizing the Use of Alternatives to Bond Cap



2.3 Maximizing the Use of Recycled Bond Cap --> Maximizing the Use of Alternatives to the Bond Cap

- More flexibility for Commission to maximize resources beyond Recycled Bonds and aligns with program's value of Use Resources Efficiently
- Alternative Bonds:
 - Taxable Bonds: Commission can issue taxable bonds, with income or rental restrictions
 - Nonprofit Bonds: Commission can issue tax-exempt nonprofit bonds to qualified 501c(3) organizations
 - Recycled Bonds

Projects By and For Community/CBOs



Section 4 Bond Cap and Tax Credit Allocation Criteria:

- Projects outside King County must select a minimum of **25** points below to apply for the Bond/Tax Credit Program (**4 of which must be in Section 4.5 Projects that are By and For the Community**). Projects located in King County must select a minimum of **30** points (**5 of which must be in Section 4.5 Projects that are By and For the Community**).

Section 4.5 Projects that are By and For the Community:

- **All applicants must score a minimum of points in Section 4.5 Projects that are By and For the Community to be considered for an allocation.**
 1. Seattle/King County must score a minimum of 5 points
 2. Balance of State must score a minimum of 4 points



Section 4.5 Related Changes

Section 4.5.2: CBO Inclusion: Removes ability to claim points for nonprofit donation in two separate point categories (4.5.2: CBO Inclusion-Financial Benefit and 4.6: Donation in Support of Local Nonprofit Programs).

- CBO benefits financially from the partnership, as determined by the CBO. Examples can include – CBO pays below-market rent for space in the project. **Donations made to the CBO under Section 4.6 Donation in Support of Local Nonprofit Programs do not count towards meeting this criterion.**

Section 4.5.3 Meaningful Community Engagement: changes term from “Meaningful Community” to “**Potential Tenant**” Engagement

Section 4.5: CMI Relevance to Project - Note: CMI term is changed to **Community Most Harmed (CMH)**

The relevance of the Community Most Harmed (CMH) to the project will be addressed in the CBO Interview process and the Community Engagement Response Form instructions but will not be included in the actual policy.

Section 4.5 CBO Interview Schedule: 1) The developer must identify the CMH, as well as the CBO partner at Intent to Apply. 2) Repeat CBO's will have a streamlined interview to verify information. 3) Second CBO interview is only necessary to verify information/ ask questions raised based on applications received and will not be required for every applicant or allocatee.

Healthy & Sustainable Homes



- **Added Value:** Foster Healthy & Sustainable Homes in a Changing Climate
- **Technical Fixes**
 - 4.8.2 New Construction Buildings – *The sponsor must include **a letter** from the energy efficiency consultant, project architect, or engineer detailing which additional efficiency measures the project plans to integrate.*
 - 4.8.3 EV Charging – **RESIDENTIAL** parking spaces



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Healthy & Sustainable Homes



New Construction: NEW 4.8 sub-section

- 11 points if building to the 2021 WSEC for solar, additional efficiency, and EVs
- Points remain unchanged if building to the 2018 WSEC

Rehab: Requirements for Cooling

- Move section 4.9.2 Rehab Heat Pump **Option** to section 3.18 Rehab **Requirements**
- Projects are **required** to implement the ductless or ducted heat pump options from ESDS Section 5.09.



Language Clean Up: For Clarity of Intent/Practice

- **3 Minimum Threshold Requirements** is now **Program Requirements**
- **3.1 Complete Application and Appropriate Fee:** The application fee is due no later than 10 business days after the application due date. If the fee is not received within 10 business days, the Application may be deemed incomplete, and ineligible for further consideration for financing.
- **3.2 Project Sponsor:** Must be in good standing with the Commission and financially solvent
- **3.28 Minimum and Additional Low-Income Housing Commitments and Application Update: Income Averaging** – allows units to serve households earning as much as 80% of the AMI as long as a range of AMI options below 60% AMI are provided and the average income/ rent limit in the property is 60% or less of AMI. Also includes a new Average Income Certification form.
- **4 Bond Cap and Tax Credit Allocation Criteria:** Clarifies current practice for weighing portfolio deals, average score of the properties weighted by the number of units in each project.
- **9.1.2 Official Intent Declaration (OID) Request Fee and Section 1.1.1 Projects Financed with Commission Issued Bonds:** Clarifies what is an OID and when it may be appropriate to request and issue one, advises applicants to seek legal counsel through this process

Procedural Changes: Updates the Following



- Add process to Request Additional Bond Cap
- Nonprofit Donation at Placed in Service
- Utility Incentive Form
- Add CBO Legal Representation to contact lists
- Add Services Tab to Application Workbook



Next Steps for 2024

- Send us your feedback and/or take the Survey by August 18th!
- Final revisions posted & info session scheduled for September 6th, stay tuned for the invite.
- Applications will be due in January!
- Check out the full timeline here:
[2024BondTCPolicyRevisionsTimeline.pdf](#)
[\(wshfc.org\)](#)



Thank you!!