

Bond/Tax Credit Program

Preservation Pilot Policy Addendum

July 2026

This Preservation Pilot Policy Addendum reflects policy changes approved by the Board on 5/18/2026 to facilitate an allocation round that supports the preservation of existing multifamily properties. This policy addendum is additive and should be followed along with the Bond/Tax Credit Program Policies approved by the Board on 9/25/2025 which also remain in effect.

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Preservation Pilot Introduction: Section 1.2 Bond Policy Values and Outcomes

There is an opportunity and need to elevate investments to preserve existing affordable housing properties, both properties within the Commission’s portfolio with an existing regulatory agreement and properties regulated by other public funder partners or naturally occurring affordable housing.

The needs of existing properties are different from new construction. These are operating properties with existing residents, and each property will have a distinct set of factors and risks to be evaluated. The Preservation Pilot tests creating a separate track for preservation projects (both acquisition rehab and portfolio preservation) to apply for a bond allocation, centering the residents and the buildings that serve them.

Section 1.2 Bond Policy Values and Outcomes Value 4: Affordable Housing Projects Serve Their Purpose for as Long as Possible

Outcome: Low-income tenants remain in their housing and do not suffer displacement when the regulatory covenants expire. Their housing affordability is maintained, and their units are improved, which improves the quality of their lives.

Trade-off: Balancing the needs of the existing portfolio of affordable housing with new production could result in a decrease in new production. Although we want to prioritize the creation of new units, financing the acquisition and rehabilitation of existing projects continues to be a key purpose for the Multifamily Bond/Tax Credit Program. We want to create a predictable path for rehabilitation projects to ensure that developers have resources available and can address health and safety issues and energy efficiency of the current affordable housing portfolio. We also want to ensure that any equity being pulled out of projects as part of a refinancing is being reinvested into the housing to ensure long-term sustainability and livability of the units. We additionally prioritize the preservation of units with long-term rental assistance.

Methodology: A project is defined as “Preservation” if 80% or more of the housing units that exist at the time of application are to be renovated as part of the project. In a situation where the project proposal involves both rehabilitation and new construction, the rehabilitated units must make up more than 50% of the total housing units in the project to be eligible for this definition.

Further, Preservation projects are inclusive of the two following project types:

1. Preservation projects with existing LIHTC regulatory agreements with the Commission are also referred to as Re-syndications.
2. Acquisition/Rehab projects of a property that is Naturally Occurring Affordable Housing (NOAHs) or a property that may have a regulatory agreement that is not in the Commission’s portfolio.

Please note that conversions of existing commercial buildings (including hotel/motels) to residential use are not eligible under this pilot. Applicants proposing this type of project must apply through an open New Construction (new production) round.

All applications will be first evaluated for prioritization using a Risk/Opportunity Matrix. Each project will receive a prioritization designation of High, Medium, or Low based on a set of criteria described in further detail in Table A.

- Expiring Regulatory Agreements with Affordability Restrictions
- Expiring Critical Subsidies
- Physical Needs
- Critical for Community/Population Served

We are offering approximately \$250M in bond allocation resources for this 2026 Preservation Pilot. This amount is subject to change, at the Commission’s discretion.

Section 1.2 Bond Policy Values and Outcomes Value 6: Foster Healthy and Sustainable Homes

Many low-income residents in Washington face increasing exposure to extreme heat, wildfire smoke, and unhealthy indoor living conditions. These challenges are compounded by longstanding patterns of unequal investment that have left some communities with inefficient housing and at higher risk of worse health outcomes.

Advancing healthier and more resilient housing is central to the Commission's mission to expand access to safe, affordable homes and ensure responsible use of public resources. The Commission aspires to incentivize cost-effective construction and rehabilitation practices that improve indoor comfort and strengthen building performance.

These investments deliver long-term value for Washington by protecting residents’ health, preserving affordable housing, reducing strain on public systems, and strengthening community resilience.

Applicable Program Requirements and Criteria: Bond Tax Credit Policies (9/25/2025)

Applicants must adhere to the [Bond/Tax Credit Program Policies approved by the Board on 9/25/2025](#) and comply with all the policy sections noted below for reference in conjunction with the updated requirements and criteria included in this Addendum.

Policy Sections in full force and effect:

Program Limits and Requirements:

- Section 2: Program Limits
- Section 3: Program Requirements

- Note: For Resyndication, the Commission requires a pre-application meeting for applicants seeking modification to the current Regulatory Agreement(s) covering the property.
- Note: For 2026 applications, the Notification of Intent under Section 3.34 is waived.
- Section 5: Requirements Prior to Placed-in-Service
- Section 6: Placed-in-Service Requirements
- Section 7: Project Transfer or Assignment Requirements
- Section 8: Project Monitoring
- Section 9: Bond/Tax Credit Program Fees
- Section 10: Decisions and Review

Section 4 Bond Cap and Tax Credit Allocation Criteria

- 4.1 Cost Efficiency
- 4.4 Overcoming Historic and Systemic Barriers for Developers who are BIPOC
- 4.5.1 and 4.5.2 Projects that are By and For the Community*
- 4.6 Donation of Support of Local Nonprofit Programs
- 4.7 Property Type – Historic ONLY
- 4.9.1 and 4.9.2 Energy Efficiency, Healthy Living and Renewable Energy*
- 4.10 Combo Properties

*Changes are made to 4.5.3 Potential Tenant Engagement and 4.9.3 Rehab Electric Vehicle Charging Station Option. See the next Section for updated requirements and criteria.

Preservation Pilot Specific Updated Requirements and Criteria

The following requirements replace the minimum score requirement under the Bond Cap and Tax Credit Allocation Criteria in Section 4. The thresholds below supplement regulations and compliance requirements governing both the tax credit and tax-exempt bond financing programs, as described throughout the Policies, QAP, WAC, and Sections 42 and 142 of the Code.

New Program Requirements:

1) Section 3.35 - Preservation/Acquisition/Rehab Projects Tenant Engagement

All Applicants are required to plan to conduct meaningful engagement with residents in the property. Sponsors may conduct engagement in the following ways, all of which must be responsive to the Existing Tenant Engagement Guidelines:

- Sponsor provides budgeted engagement resources to partner CBO who represents potential tenants, and conducts the Tenant engagement process
- Sponsor conducts a Tenant engagement process using one of the toolkits provided by the Commission
- Sponsor provides documentation of a Tenant engagement process that meets or exceeds the standards of the approved toolkits

Additionally, all applicants must demonstrate that the results of tenant input will be implemented in the project rehabilitation.

Applicants that choose to provide resources to a Community Based Organization (CBO) to conduct tenant engagement are eligible for 2 points, see Section 4.5.3.1 of the Bond Tax Credit Program Policies. Applicants may also be eligible for 1 point under Section 4.5.3.2 if a service provider partnership results from Potential Tenant input.

2) Minimum Score: 2026 Preservation Pilot

For the Preservation Pilot, the Minimum Score Criteria will not apply. Instead, projects will be first evaluated using the Risk/Opportunity Prioritization Matrix (see Table A) which identifies criteria within each Risk/Opportunity Category to determine a Project's prioritization for review and a financing allocation – High, Medium, or Low.

Not all the Risk/Opportunity Categories may apply to every project and projects are expected to have a prioritization in one or more of the Risk/Opportunity categories.

In place of a minimum point score, projects must at least meet the Low Priority criteria in at least one of the Risk/Opportunity Categories, to be considered for an allocation.

For scattered site or portfolio applications, a majority of the projects included must meet the minimum of the Low Priority criteria in at least one of the Risk/Opportunity Categories, for the application to be considered for an allocation. The portfolio designation will take into consideration the mix of properties and the number of low-income housing units in each project, recognizing that properties may be intentionally bundled to leverage the strength of performing properties to support properties more at risk.

Allocation Criteria Updates:

1) 4.2 Additional Low-Income Housing Commitment and 4.3 Housing Commitments for Priority Populations

Both criteria (point categories) shift to the Risk/Opportunity Priority Matrix (Table A) to be evaluated under the Critical for Community/Population Served category. Prioritization will be determined by application responses regarding existing residents served and any proposed changes, market study findings as well as other available data sources regarding resident income/paid rent as it relates to market rents and quality/availability of housing supply.

For Resyndication projects, the Commission has a preference to maintain existing set asides below 60% AMI.

Projects are still required to select the minimum set aside for priority populations' threshold requirement in Section 3.31 Set Asides for Priority Populations.

2) Rehabilitation of Major Systems

This criterion (point category) shifts to Risk/Opportunity Prioritization Matrix (see Table A) to be evaluated under the Physical Needs category. Prioritization will be determined by the applicants'

proposed scope of work and budget including major systems rehab, the Capital Needs Assessment (CNA).

Applicants must submit a professional, independent, third-party Capital Needs Assessment (CNA). The CNA describes a project's physical capital needs over the next 20 years based on the observed current physical conditions of the project. The CNA must identify deferred maintenance; physical needs; the age, useful life and remaining useful life of key components; building material deficiencies and material building code violations that affect the property use; structural or mechanical integrity, and future physical and financial needs. The CNA must be the basis from which the scope of work for the project has been developed. MHCF staff may use the CNA along with HUD housing guidelines to determine if the scope of rehabilitation work meets the standards for replacing a major system. In addition, all rehab projects must comply with Section 3.19 Rehabilitation Requirements to implement the ductless or ducted heat pump options.

The Commission recognizes that existing affordable housing projects may need immediate system repair and replacement for the health and safety of the residents. The Sponsor may begin work on rehabilitation of the building up to 12 months before application to qualify for points. The Commission recommends the request of an Official Intent Declaration (see Section 9.1.2) if the Sponsor plans to begin rehabilitation in advance of application.

The Physical Needs category prioritization requires all immediate/critical needs get addressed. Prioritization is then based on number of major systems rehabbed, with additional priority given for properties that are electrifying existing gas-powered major systems.

Eligible major systems:

- Heating, ventilation, and air conditioning (HVAC)
- Electrical
- Plumbing
- Envelope
- Elevators
- Seismic upgrades

3) 4.9.3 Rehab Electric Vehicle Charging Station Option

This criterion (point category) has been removed in its entirety.

Table A: Risk/Opportunity Prioritization Matrix

The Commission will use the matrix below to first evaluate projects as part of the threshold review to determine a Project’s prioritization.

Risk/Opportunity Category	High Priority	Medium Priority	Low Priority
<p>Expiring Regulatory Agreement with Affordability Restrictions:</p> <p>Determined by expiration date of existing regulatory agreements. For LIHTC properties, the expiration date of the extended use agreement will be used. For Federally financed projects, prepayment option timelines will be considered to determine expiration risk.</p>	<p>Affordability restrictions expire within 0-5 years and the regulatory agreement covers a majority (50% or more) of the units in the property</p>	<p>Affordability restrictions expire within 5-7 years and the regulatory agreement covers a majority (50% or more) of the units in the property</p>	<p>Affordability restrictions expire 7+ years and/or the regulatory agreement covers a minority (less than 50%) of the units in the property</p>
<p>Expiring Critical Subsidies:</p> <p>Determined by expiration date of existing subsidy contracts or agreements. Note: Pro-active renewals of existing contracts to facilitate reinvestment such as a recent extension of a Section 8 HAP contract, will be considered in conjunction with the original expiration dates.</p>	<p>Within 3 years and supports majority (50% or more) of residents who are extremely or very low income at or below 50% AMI</p>	<p>Within 5 years and support majority (50% or more) of residents who are extremely or very low income at or below 50% AMI</p>	<p>Within 7 years and/or supports a minority (less than 50%) of residents within the property who are low income at or below 50% AMI</p>
<p>Critical for Community/Population Served:</p> <p>Determined by application responses regarding existing residents served and any proposed changes, market study findings as well as other available data sources regarding resident income/paid rent as it relates to market rents and quality/availability of housing supply.</p> <p>Note: Preference on Re-syndications to maintain existing set asides below 60% AMI.</p>	<p>Limited to no affordable housing options of similar quality and cultural relevance are available for existing residents; will result in a significant loss of supply for the community due to high displacement pressure</p>	<p>Limited affordable housing options of similar quality and cultural relevance are available for existing residents; may result in loss of supply for the community due to medium displacement pressure</p>	<p>Other affordable housing options of similar quality and cultural relevance are available for existing residents; not expected to result in loss of supply for the community due to low displacement pressure</p>

Risk/Opportunity Category	High Priority	Medium Priority	Low Priority
<p>Physical Needs:</p> <p>Determined by the applicants proposed scope of work and budget including major systems rehab, the Capital Needs Assessment (CNA).</p> <p>Note: <u>In-unit</u> cooling is a rehab requirement (see Policy 3.19).</p> <p>Requires all immediate/critical needs get addressed. Prioritization is based on number of major systems rehabbed, with additional priority given for properties that are electrifying existing gas-powered major systems.</p> <p>Eligible major systems:</p> <ul style="list-style-type: none"> -HVAC -Electrical -Plumbing -Envelope -Elevators -Seismic 	<p>A. Rehab addresses all immediate physical needs identified in the CNA.</p> <p style="text-align: center;"><i>AND one of:</i></p> <p>B. Rehab addresses the long-term physical needs of at least 4 major systems.</p> <p style="text-align: center;"><i>OR</i></p> <p>C. Rehab addresses the long-term physical needs of at least 3 major systems and at least 1 of those systems is converted to electricity from another fuel source.</p>	<p>A. Rehab addresses all immediate physical needs identified in the CNA.</p> <p style="text-align: center;"><i>AND one of:</i></p> <p>B. Rehab addresses the long-term physical needs of at least 3 major systems.</p> <p style="text-align: center;"><i>OR</i></p> <p>C. Rehab addresses the long-term physical needs of at least 2 major systems and at least 1 of those systems is converted to electricity from another fuel source.</p>	<p>A. Rehab addresses all immediate physical needs identified in the CNA.</p> <p style="text-align: center;"><i>AND</i></p> <p>B. Rehab addresses the long-term physical needs of at least 2 major systems.</p>