



Bond/Tax Credit Program Policy – Proposed Changes – (2026)

Changes are noted as redlines and reflect policy updates due to the passage of H.R.1 federal tax legislation, needed clarifications and clean up.

Existing Policy	Proposed Changes	Rationale
Policy Updates		
2.3 Maximizing the use of Alternatives to Bond Cap When demand for Bond Cap exceeds supply, the Commission may choose, at its discretion, to not allocate Bond Cap to a project, but instead require the use of alternative bond issues. None of these alternatives are eligible for 4% tax credits. By using alternative bonds for the portion of the bond issue that exceeds the minimum threshold of the “50% Test” (see Section 3.15) or for projects that do not need to generate 4% tax credits, the Commission ensures that its current year and carry forward volume cap is prioritized to generate 4% tax credits. The Commission intends to target allocations of new-issue Bond Cap to projects at an amount not to exceed 55% (5% above the 50% Test). Commission staff endeavors to discuss the use of these alternatives to Bond Cap with the project sponsor as soon as possible in the process, to facilitate an efficient	Edit language to the following: When demand for Bond Cap exceeds supply, the Commission may choose, at its discretion, to not allocate Bond Cap to a project, but instead require the use of alternative bond issues. None of these alternatives are eligible for 4% tax credits. By using alternative bonds for the portion of the bond issue that exceeds the minimum threshold of the “ 25% Test ” (see Section 3.15) or for projects that do not need to generate 4% tax credits, the Commission ensures that its current year and carry forward volume cap is prioritized to generate 4% tax credits. The Commission intends to target allocations of new-issue Bond Cap to projects at an amount not to exceed 30% (5% above the 25% Test). While 30% is expected the Commission may allow a higher percentage IF the Commission’s evaluation of permanent debt sizing supports a higher tax-exempt bond amount up to a cap of 40% if the following criteria are met:	Updating policies to reflect changes from the 2025 Tax Bill – H.R.1 and provides flexibility to use recycled bond cap strategically as projects adjust to the new threshold.

<p>development of the financial and legal structure of the bond issue. The alternatives to Bond Cap include:</p> <ul style="list-style-type: none"> • Taxable bonds: The Commission has the authority to issue taxable bonds for housing. It may require income or rent restrictions on the properties financed to achieve affordability goals. • Nonprofit bonds: The Commission has the authority to issue tax-exempt nonprofit housing bonds to advance the purposes of qualified 501(c)(3) organizations. Bond issues must conform to federal law and the Commission nonprofit housing program policies. • Recycled Bond Cap: The Housing and Economic Recovery Act of 2008 allows for the recycling of bond volume cap. Recycled bond volume cap (“Recycled Cap”) is derived from the pay down or pay off of multifamily bond issues if certain conditions are met. Recycled cap must be used for a qualified residential rental project within six months of the repayment of the original bonds, the final maturity of the newly issued Recycled Cap bonds must be within 34 years of the initial issuance date of the original bonds and TEFRA and approval requirements must be met. The use of such Recycled Cap is dependent on availability. <p><u>Priorities for Recycled Cap, in order:</u></p> <p>1. Finance the development of additional projects:</p> <p>a. If enough Recycled Cap has accumulated to make an entire project feasible, staff reserves the right to first offer it to any projects that plan to structure their project similar to that of an 80/20 bond deal, i.e., not using tax credits or using minimal new volume cap and tax credits.</p>	<ul style="list-style-type: none"> o the development’s permanent financing supports the larger allocation award, and o the development is unable to obtain recycled bonds <p>Commission staff endeavors to discuss the use of these alternatives to Bond Cap with the project sponsor as soon as possible in the process, to facilitate an efficient development of the financial and legal structure of the bond issue. The alternatives to Bond Cap include:</p> <ul style="list-style-type: none"> • Taxable bonds: The Commission has the authority to issue taxable bonds for housing. It may require income or rent restrictions on the properties financed to achieve affordability goals. • Nonprofit bonds: The Commission has the authority to issue tax-exempt nonprofit housing bonds to advance the purposes of qualified 501(c)(3) organizations. Bond issues must conform to federal law and the Commission nonprofit housing program policies. • Recycled Bond Cap: The Housing and Economic Recovery Act of 2008 allows for the recycling of bond volume cap. Recycled bond volume cap (“Recycled Cap”) is derived from the pay down or pay off of multifamily bond issues if certain conditions are met. Recycled cap must be used for a qualified residential rental project within six months of the repayment of the original bonds, the final maturity of the newly issued Recycled Cap bonds must be within 34 years of the initial issuance date of the original bonds and TEFRA and approval requirements must be met. The use of such Recycled Cap is dependent on availability. <p>Priorities for Recycled Cap, in order Recycled Cap may be used in the following ways at the Commission’s discretion:</p> <p>1. Finance the development of additional projects:</p> <p>a. If enough Recycled Cap has accumulated to make an entire project feasible, staff reserves the right to first offer it to any projects that plan</p>	
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<p>b. If no developer has a project planning to use this structure, then staff may require projects that have applied for the bond/tax credit program to use Recycled Cap instead of new Bond Cap, at its discretion. All projects receiving Recycled Cap under this priority would need to meet the following criteria: be able to close by a specified date; use a nominal proportional amount of new Bond Cap; and, be able to use most or all the expiring recycled cap</p> <p>2. Finance what otherwise would be financed under taxable bonds.</p>	<p>to structure their project similar to that of an 80/20 bond deal, i.e., not using tax credits or using minimal new volume cap and tax credits.</p> <p>b. If no developer has a project planning to use this structure, then staff may require projects that have applied for the bond/tax credit program to use Recycled Cap instead of new Bond Cap, at its discretion. All projects receiving Recycled Cap under this priority would need to meet the following criteria: be able to close by a specified date; use a nominal proportional amount of new Bond Cap; and, be able to use most or all the expiring recycled cap</p> <p>2. Finance what otherwise would be financed under taxable bonds.</p>	
<p>3.17 “50 Percent Test”</p> <p>Bond/Tax Credit projects may be one of two types. If 50% or more of the Aggregate Basis of the building and the land is financed with tax-exempt bonds, then the entire building is eligible for Credits. If less than 50% of the Aggregate Basis is financed with tax-exempt bonds, then only that portion of the building that is financed with the tax-exempt bonds is eligible for Credit.</p> <p>If the project fails to meet the 50% test at Placed-In-Service, only the portion of the aggregate basis financed by the tax-exempt bonds qualify for the 4% credit.</p> <p>If a project consists of multiple non-contiguous sites, the 50% test must be met at the site level.</p>	<p>Edit language to the following:</p> <p>3.17 “25 Percent Test”</p> <p>Bond/Tax Credit projects may be one of two types. If 25% or more of the Aggregate Basis of the building and the land is financed with tax-exempt bonds, then the entire building is eligible for Credits. If less than 25% of the Aggregate Basis is financed with tax-exempt bonds, then only that portion of the building that is financed with the tax-exempt bonds is eligible for Credit.</p> <p>If the project fails to meet the 25% test at Placed-In-Service, only the portion of the aggregate basis financed by the tax-exempt bonds qualify for the 4% credit.</p> <p>If a project consists of multiple non-contiguous sites, the 25% test must be met at the site level.</p>	<p>Updating policies to reflect changes from the 2025 Tax Bill – H.R.1.</p>
<p>3.30.2 Timing</p> <p>After an initial allocation, project sponsors are allowed to request an allocation of additional Bond Cap in two instances:</p>	<p>Edit section (2) to the following language:</p> <p>2) The need for additional Bond Cap is discovered between closing and when the project is placed in service. Sponsors are responsible for bridging any financial gaps in this interval. The Commission only considers these requests when construction is complete, and the</p>	<p>Updating policies to reflect changes from the 2025 Tax Bill – H.R.1.</p>

<p>(1) The need for additional Bond Cap is discovered prior to the bond closing through the development of the financing. Under these circumstances, if the request is granted, the Commission would endeavor to approve the request and provide the additional cap in time for project closing.</p> <p>(2) The need for additional Bond Cap is discovered between closing and when the project is placed in service. Sponsors are responsible for bridging any financial gaps in this interval. The Commission only considers these requests when construction is complete, and the project is ready to be placed in service. Because the additional allocation comes when all costs are known, the request for cap needs to be made as close as possible to meeting the 50% test.</p>	<p>project is ready to be placed in service. Because the additional allocation comes when all costs are known, the request for cap needs to be made as close as possible to meeting the 25% test.</p>	
Policy Clarifications		
<p>3.16.2 Tax Credit Investor</p> <p>Tax Credit Investor</p> <p>The tax credit investor/syndicator must also be engaged at the time of application.</p> <p><i>3.16.2.1 Projects located in King County</i></p> <p>Applicants must submit a copy of the Tax Credit Investor's Letter of Intent (LOI) as an attachment to the Application. 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:</p> <ul style="list-style-type: none"> • Estimated pricing of the tax credits 	<p>Edit language and add a subsection:</p> <p><i>3.16.2.1 Projects located in King County</i></p> <p>Applicants must submit a copy of the Tax Credit Investor's/Syndicator's Letter of Intent (LOI) as an attachment to the Application. 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/syndicator that includes the following information:</p> <ul style="list-style-type: none"> • Estimated pricing of the tax credits • Identification of other sources of financing and estimated amounts 	<p>Corrects language to include Syndicator's and clarifies the expectations of Balance of State to align with the existing standard explicitly stated for King County.</p>

<ul style="list-style-type: none"> • 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 	<ul style="list-style-type: none"> • The number of units, low-income set-asides, and any special populations served • History of working with the developer and/or WSHFC <p><i>3.16.2.2 Projects located in Balance of State</i></p> <p>Tax Credit Investor/Syndicators 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:</p> <ul style="list-style-type: none"> • 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 	
<p>4.5 Projects that are By and For the Community</p> <p>(last section list)</p> <p>A supportive narrative is required to show the value and representation of the CBO and must include:</p> <ul style="list-style-type: none"> • A description of the CBO’s mission or purpose and connection to the identified Community(ies) Harmed. • Identification and description of the specific Community(ies) Harmed. • Identification and description of what leadership and/or advisory roles persons with lived experiences the identified Community(ies) Harmed have in the CBO, including two or more of the following: 	<p>Edit language and reformat bullet point of last section:</p> <p>An interview with Commission staff supportive narrative is required to show the value and representation of the CBO and must include:</p> <ul style="list-style-type: none"> • A description of the CBO’s mission or purpose and connection to the identified Community(ies) Harmed. • Identification and description of the specific Community(ies) Harmed. • Identification and description of what leadership and/or advisory roles persons with lived experiences the identified Community(ies) Harmed have in the CBO, including two or more of the following: <ul style="list-style-type: none"> o A paid leadership position, list position (if applicable). 	<p>Clarify process and fix formatting.</p>

<ul style="list-style-type: none"> o A paid leadership position, list position (if applicable). o A member of the board (if applicable). o A significant paid staff position (if applicable). o An advisory role, such as serving on an advisory committee. • Other development role, such as a long-serving volunteer with significant responsibilities A descriptive list of the CBO's previous activities related to the identified Community(ies) Harmed and community development. If there have been no previous activities, please describe who formed the CBO and why and how the CBO will continue during the project. <p><u>Lived experience</u> is defined as: Personal knowledge about the world gained from identifying as a member of the affected group, either currently or at some point in life.</p>	<ul style="list-style-type: none"> o A member of the board (if applicable). o A significant paid staff position (if applicable). o An advisory role, such as serving on an advisory committee. o Other development role, such as a long-serving volunteer with significant responsibilities. • Other development role, such as a long-serving volunteer with significant responsibilities <p>A descriptive list of the CBO's previous activities related to the identified Community(ies) Harmed and community development. If there have been no previous activities, please describe who formed the CBO and why and how the CBO will continue during the project.</p> <p><u>Lived experience</u> is defined as: Personal knowledge about the world gained from identifying as a member of the affected group, either currently or at some point in life</p>	
<p>4.6 Donation in Support of Local Nonprofit Programs</p> <p>The Commission awards two points to Projects based on the Applicant's commitment to contribute funds to a local Nonprofit Organization in an amount equal to 0.10% (10 basis points) of the total bond issue or \$20,000, whichever is greater.</p> <p>The Nonprofit Organization being supported must include in its service area the county in which the Project is located and must provide housing, housing-related services, or nearby community/social services that are available to the residents of the Project. For developments which have sites in more than one county, donations must be made to organizations in each county</p>	<p>Edit 2nd paragraph to the following:</p> <p>The Nonprofit Organization being supported must include in its service area the county in which the Project is located and must provide housing, housing-related services, or nearby community/social services that are available to the residents of the Project. For developments which have sites in more than one county, donations must be made to organizations in each county the projects are located in. <i>At least 50% of the donation must be made to an organization based in the community where the project is located. CBO as defined in Section 4.5 Projects that are By and For the Community.</i> The program receiving the donation cannot require participants to have a specific religious</p>	<p>Clarify the definition being used for the organization receiving the donation.</p>

the projects are located in. At least 50% of the donation must be made to a CBO as defined in Section 4.5 Projects that are By and For the Community. The program receiving the donation cannot require participants to have a specific religious affiliation. Donations may be split among no more than four recipients. Up to 25% of the total donation may be made to an advocacy organization.	affiliation. Donations may be split among no more than four recipients. Up to 25% of the total donation may be made to an advocacy organization.	
4.8.2.1 – NC Solar Option The Commission awards three points for projects that install a solar system with an annual energy production per square foot of conditioned floor area of the building, with an annual energy production greater than or equal to 0.28 kWh/SF/Year.	Edit language to the following: The Commission awards three points for projects that install a solar system with an annual energy production per square foot of conditioned floor area of the building project , with an annual energy production greater than or equal to 0.28 kWh/SF/Year.	Clarifies the fact that some projects include multiple buildings.
4.9.1 – Rehab Solar Option The Commission awards three points for projects that install a solar system with an estimated annual energy production per square foot of the building's gross conditioned floor area greater than or equal to 0.5 (0.5 kWh/SF/year).	Edit language to the following: The Commission awards three points for projects that install a solar system with an estimated annual energy production per square foot of the building's project's gross conditioned floor area greater than or equal to 0.5 (0.5 kWh/SF/year).	Clarifies the fact that some projects include multiple buildings.
4.9.3 Rehab Electric Vehicle Charging Station Option The Commission will award one point to projects that install electric vehicle charging stations in no less than 5% of parking spaces, with a minimum requirement of 1 in non-accessible parking and 1 in accessible stalls. The 5% requirement applies to both accessible and non-accessible parking stalls, calculated independent of the other	Edit language to the following: The Commission will award one point to projects that install electric vehicle charging stations in no less than 5% of residential parking spaces, which a minimum requirement of 1 in non-accessible parking and 1 in accessible stalls. The 5% requirement applies to both accessible and non-accessible parking stalls, calculated independent of each other.	Clarifies intent.

<p>4.11 Rehabilitation of Major Systems</p> <p>For Preservation projects only – the Commission awards ten points projects for each major system installed or replaced, for up to 30 points. Examples of major systems include:</p> <ul style="list-style-type: none"> • Plumbing • Electrical • Heating, ventilation, and air conditioning • Elevators • Seismic upgrades <p>If applying for these points, 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. 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 replacing a major system.</p> <p>The Commission recognizes that existing affordable housing projects may need immediate system repair and replacement for the health and safety of the residents.</p>	<p>Edit language to the following:</p> <p>4.11 Rehabilitation of Major Systems</p> <p>For Preservation projects only – the Commission awards ten points to projects for each major system installed or replaced, for up to 30 points. Examples of major systems include: Eligible major systems are:</p> <ul style="list-style-type: none"> • Plumbing • Electrical • Heating, ventilation, and air conditioning • Elevators • Seismic upgrades • Envelope <p>If applying for these points, applicants must submit a professional, independent, third-party Capital Needs Assessment (CNA). The CNA must be the basis from which the scope of work for the project has been developed. The CNA describes a project’s physical capital needs over the next 20 years based on the observed current physical conditions of the project. 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. MHCF staff may use the CNA along with HUD housing guidelines to determine if the scope of rehabilitation work meets the standards 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.</p>	<p>Clarifies options for applicants, and highlights the requirements needed.</p>
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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 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.	
Language, Formatting or Reference Clean Up		
Cover page update	Update language to the following: Remove 2025 from side panel. Approved 9/25/2025. Add under Board Approval date: "Policies are in effect until changed and approved by the Board.	Removing cycle year reference and tying effective date to Board Approval.