WASHINGTON STATE
HOUSING FINANCE
COMMISSION

9% Tax Credit Program 2025 Policy Proposed Amendments

V2 Updated 7/11/24

Existing Policy	Proposed Changes	Rationale
Section 6.7 Cost Containment Incentive	1-8 Points TDC Limit Point: TDC Limit Cost Containment Points will be awarded to a project that is below its appropriate TDC Limits at the time of application as follows: • One (1) point for being under the appropriate TDC limit; or • Three (3) points for being more than five (5) percent under the appropriate TDC limit; or • Six (6) points for being more than ten (10) percent under the appropriate TDC limit NOTE: These points are not cumulative. Commission staff allow exemptions to the applicable total development cost limit to further acknowledge the impact of certain cost drivers on projects' total development costs. These exemptions are the actual cost of approved cost drivers. The sustainable building feature listed below is eligible for an exemption • Costs associated with including a solar energy array include solar equipment procurement, installation, labor, system engineering and site plans. Applicants seeking to qualify for exemptions must submit a form of construction cost estimate from the General Contractor (GC), clearly delineating the hard cost, as well as the applicable portion of overhead, profit, WSST, etc., in addition to a narrative explanation. Commission staff has full discretion over the final amount approved as an exemption. **Note: these points are not cumulative**	Ensures projects are not penalized for higher costs as a result of including solar.

Median Square Footage Point: Two (2) cost-containment points can be awarded to projects based on how they compare to the median cost per square foot in its Geographic credit pool (see Section 5.2.2) for the allocation round in which it applies as set forth below.

When Applications are received, the Residential Cost per Square Foot (Cost/SF) of each project will be calculated per the following definitions:

- **Residential Project Square Footage** is defined as the gross residential square footage of the buildings to be constructed or rehabilitated.
- **Gross residential square footage** is to be measured from the outside face of the exterior walls and the centerline of party walls.

Everything within the building envelope will be included in the calculation, including unheated mechanical space, common area, circulation area and structured parking.

Anything outside of the building envelope such as balconies, roof top decks, carports, and surface parking is to be excluded.

Commercial spaces to be owned under a separate legal entity and whose costs are not reflected in the Residential Project Budget may not be included in the total project square footage.

Space that is shared between a Residential Project Condominium and other condominiums in a building may be included on a pro rata basis.

A certification of the Project's Gross Residential Square Footage by the project architect must be included in the Application and recertified at the time of final cost certification. (Form 2B and Square Footage from Architect should be consistent)

- **Total Development Cost** is defined in the same way as it is under the existing TDC Limit Policy: Total Residential Project Cost minus the cost of land and minus capitalized reserves.
- **Cost per Square Foot** is determined by dividing the Total Development Cost by the project's Residential Project Square Footage.

	Projects competing in the same allocation round that are in the King/Seattle Geographic credit pool (see Section 5.2.2) will be grouped together to determine the median King/Seattle Cost/SF for the round. Those same projects will then be awarded two (2) points if they are less than or equal to the median for that grouping. Projects competing in the same allocation round that are in the Metro Geographic credit pool (see Section 5.2.2) will be grouped together to determine the median Metro Cost/SF for the round. Those same projects will then be awarded two (2) points if they are less than, or equal to, the median for that grouping. Projects competing in the same allocation round that are in the Balance of State Geographic Credit pool (see Section 5.2.2) will be grouped together to determine the median Balance of State Cost/SF for the round. Those same projects will then be awarded two (2) points if they are less than, or equal to, the median for that grouping. **Projects must maintain eligibility for the points awarded**. If at the time of Final Cost Certification, a project has failed to meet the total development costs proposed in its application, the Commission may, among other penalties it determines to be appropriate, deduct an equal number of points from the Project Sponsor's next complete, Fully Funded 9% tax credit application that satisfies all applicable Minimum Threshold criteria.	
Section 6.19 Donation in Support of Local Housing Needs	5 Points Points will be awarded to projects based on the Applicant's commitment to contribute funds to a local Nonprofit Organization in an amount based upon the Total Project Cost (TPC) as follows: • $0-$12,500,000 (TPC)=$15,000 Donation • $12,500,001 and above (TPC)=$25,000 Donation 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. The program receiving the donation cannot	Updating donation requirements to align with Bond/Tax Credit Program.

	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. As part of the Placed-in-Service process the Applicant must provide the Commission with: • A written request to approve a donation to a specific Nonprofit Organization. • Certifications (in a form acceptable to the Commission) from both the Applicant/donor and the recipient confirming that the contribution will be made or received, respectively, without any favor, benefit, gift, or other consideration. • A letter from the approved Nonprofit Organization acknowledging receipt of the proper contribution amount as well as a copy of the cancelled check from the transaction. The letter must show receipt of the proper contribution amount, identify the low-income housing program, and specify how the funds will be used. The Commission may grant exceptions on a case-by-case basis to projects that can demonstrate unique challenges due to capacity and/or location in meeting the full requirements of this section.	
Section 6.20 Eventual Tenant Ownership	**2 Points** Two points will be awarded to Projects that include units that are intended for eventual tenant ownership after the initial 15-year compliance period. Eventual Tenant Ownership (ETO) is an option under the Tax Credit Program elected by the owner which allows the rental units financed under the program to be made available to residents for purchase as homeownership units after the end of the first 15-year compliance period. Post year 15, units are made available for sale under the conditions and requirements as outlined in the Lease Addendum and in compliance with the project's Conversion Plan and the Tax Credit Compliance Procedures Manual. Applicants interested in ETO must review the 9% Housing Credit Program Eventual Tenant Ownership Guide for Property Owners and Residents for specific requirements and recommended practices. Applicants are required to have a pre-meeting to discuss their project and ETO obligations with Commission staff prior to submitting an application. It is recommended that owners reach out to Commission staff early to schedule a meeting and no later than 30 days before applying.	Updating language to restore Eventual Tenant Ownership option, along with additional policies and procedures to clarify expectations and requirements for applicants seeking these points.

	The Commission allows the election of points for ETO ONLY on properties which are developed as Single Family, Townhomes or Duplexes with clear lot delineation to convert to homeownership. In addition, each unit must be assigned its own Building Identification Number (BIN) and separate legal descriptions for each unit, prior to closing. Applicants interested in ETO must submit the required Conversion Plan Application Form and provide all the relevant documentation at the time of application. This form will allow the Commission to review how the owner intends to convert applicable units from rental units bound by the project's Regulatory Agreement to a unit available to be purchased by the resident. The conversion of units shall be in accordance with Section 42(i)(7) of the Code and the owner's Conversion Plan submitted in the application form and accepted by the Commission. The documents and requirements mentioned in the above paragraphs are subject to change at any time. Please visit our website atto find the most updated versions. **ETO Compliance Requirements:** As part of the owner's annual report submission each January 31st, the owner will be required to confirm in the Owner Annual Certification their compliance with the project's ETO Conversion Plan, commencing on the first anniversary of the date of the Regulatory Agreement. Commencing on the 13th anniversary, the owner must provide a detailed summary report describing its progress towards compliance with the Conversion Plan, including, but not limited to: • The number of homeownership residents who intend to purchase their units after year 15 • Any materials in relation to ETO delivered from the owner to the residents • Applicable information about homeownership education and counseling sessions (budget, financial, and maintenance/repair sessions) offered to the residents Additionally, the owner is required to provide an ETO Lease Addendum to each resident detailing the specific provisions related to ETO for the property. See the 9% Housing Credit Program Eventual Tenant Ownership Guide for Property Owners and Residents for more guidance. The Commission expects to receive all information and documentation in a timely manner reasonably requested by the Commission, its representatives or designees throughout the Project Compliance Period.	

<table>
<tr><td></td><td>This includes but is not limited to all Certifications or other documentation as to the compliance of each Building in the Project with the terms of this policy, the Conversion Plan, the Low-Income Housing Tax Credit Compliance Manual, all applicable Tax Credit Laws, other requirements of the Commission, IRS, state, federal or local authorities.

The Owner must be familiar with and have read the Commission’s Low Income Housing Tax Credit Compliance Procedures Manual section(s) specific to ETO and the 9% Housing Credit Program Eventual Tenant Ownership Guide for Property Owners and Residents.</td><td></td></tr>
<tr><td></td><td>Schedule Updates (separately published Application Materials exhibits)</td><td></td></tr>
<tr><td>Total Development Cost (TDC) Limit Schedule</td><td>
<table>
<tr><th>Limit</th><th>Studio</th><th>1 BR</th><th>2 BR</th><th>3 BR</th><th>4+ BR</th></tr>
<tr><td>Seattle</td><td>$414,690</td><td>$474,227</td><td>$563,046</td><td>$717,625</td><td>$717,625</td></tr>
<tr><td>Balance of King</td><td>$387,605</td><td>$448,729</td><td>$476,790</td><td>$591,595</td><td>$634,297</td></tr>
<tr><td>Metro</td><td>$373,087</td><td>$435,186</td><td>$460,929</td><td>$544,989</td><td>$587,691</td></tr>
<tr><td>Balance of State</td><td>$334,534</td><td>$377,357</td><td>$412,982</td><td>$500,703</td><td>$543,403</td></tr>
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</td><td>Updating in response to increased cost after internal staff analysis of Engineering News-Record (ENR) data.</td></tr>
<tr><td></td><td>Language or Reference Clean Up</td><td></td></tr>
<tr><td>Section 2.13 Minimum and Additional Low Income Housing Commitments</td><td>The Tax Credit Program includes two low-income housing Commitments: (i) the minimum low-income housing commitment required by Section 42 of the Code and (ii) the Additional Low-Income Housing Commitment, a voluntary election under the Commission’s Allocation Criterion. Both Commitments are made when the Application is submitted and are irrevocable and binding upon the Applicant and the Applicant's successors in interest.</td><td>Streamline language from Section 2.13 and 2.13.1 to clarify intent of using Income Averaging as an election.</td></tr>
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The Applicant must choose one of the following minimum low-income housing commitments under the Code:

- at least 40% of the total housing units in a project must be rented to residents with incomes at or below 60% of the AMI adjusted for household size;
- or at least 20% of the total housing units in a project must be rented to residents with incomes at or below 50% of the AMI adjusted for household size;
- or 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.

Criteria for Income Averaging: allowed on a “case by case” basis with the following:

- Submit a plan and unit configuration, using the spreadsheet created by Novogradac, showing that the unit configuration meets the income averaging; all buildings must have the same election; unit mix is expected to provide for a range of AMI options above and below 60% AMI up to 80% AMI
- Written agreement from the investor and any other public or private funders;
- Submit a market study that addresses income mix
- Commit and agree in writing to the compliance implications, as we understand them at the time of commitment (Complete Average Income Certification Form)

Note: Income averaging is not available for re-syndications or projects with market rate units.

- ~~40-60 Minimum Test, where at least 40% of the total housing units in a project must be rented to residents with incomes at or below 60% of the AMI adjusted for household size; or~~
- ~~20-50 Minimum Test, where at least 20% of the total housing units in a project must be rented to residents with incomes at or below 50% of the AMI adjusted for household size.~~
- ~~Average Income Test (“AIT”), which allows units to serve households earning as much as 80% of the AMI if the average income/rent limit in the property is 60% or less of AMI.~~

~~The income limits for the selected minimum low-income housing commitment apply to any low-income housing unit in the project. Each low-income housing unit must be rent-restricted, with the maximum gross rent not to exceed 30% of the applicable AMI.~~

~~In addition, if the Applicant voluntarily elects an Additional Low-Income Housing Commitment, the Applicant is making a Commitment that may involve a lower percentage of AMI for all or a selected portion of the total low-income housing units in the project. These housing units must be rented for no more than 30% of the applicable AMI.~~

~~If the Applicant makes a Commitment to have an applicable fraction of 100%, then 100% of the total housing units in the project will be rent-restricted and rented to qualified low-income residents at the applicable AMI of the minimum low-income housing commitment.~~
~~EXAMPLE: The Applicant chooses a minimum low-income housing Commitment of 40/60:~~

- ~~at least 40% of the total housing units (low-income units plus market rate units) in the project will be rent-restricted and rented to qualified low-income residents with incomes at or below 60% of AMI; and~~
- ~~all the low-income housing units in the project will be rent-restricted and rented to qualified low-income residents with incomes at or below 60% of the AMI.~~

~~For this Application to score Allocation Criteria points for the Additional Low-Income Housing Commitment, an Applicant must commit certain percentages of the total low-income housing units to income levels below the minimum low-income housing commitment. Continuing with the example above, the Applicant may commit to 40% of the total low-income housing units for households at or below 30% of the AMI and 30% of the total low-income housing units for households at or below 40% of the AMI. Thus, the Applicant will qualify for 58 Allocation Criteria points (60 points in a lower income county, see Section 6.2) and the Applicant's combined Commitments will have the following effect:~~

- ~~40% of the total low-income housing units will be rent-restricted and rented to residents with incomes at or below 30% of the AMI;~~
- ~~30% will be rent-restricted and rented to residents with incomes at or below 40% of the AMI; and~~
- ~~the remaining 30% of the low-income units will be restricted at 60% of the AMI.~~

~~During the Project Compliance Period, the Applicant may only rent low-income housing units to residents who are income-eligible at initial occupancy in the project. More specifically, a low- income housing unit must remain vacant until the Applicant can rent it to a resident that meets the income eligibility criteria of the minimum low-income housing commitment and/or the Additional Low-Income Housing Commitment, as applicable.~~

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<tr>
<td>Section 2.13.1 Criteria for Average Income Test Proposals</td>
<td>~~The Commission will review and approve requests for use of AIT on a “case by case” basis. The Average Income Test will be limited to projects that reserve 100% of the total units to LIHTC affordability. In addition, the project cannot involve a re-syndication of a property previously developed or preserved using LIHTC.~~

~~To obtain approval to select AIT, the Applicant must agree to and submit the following at the time of Application:~~
• ~~Complete AIT worksheet (based upon the Novogradac form) designating units at a specific AMI by unit type (i.e., 10 one-bedroom units at 50%).~~
• ~~Written statement from all funders (i.e., lenders, equity providers) approving the AIT election and specific rent and income tiers required.~~
• ~~A market study that reviews the marketability of the development with the proposed rent and income targeting levels.~~
• ~~Statement in writing from the owner agreeing to compliance implications for AIT as they are understood at the time of commitment.~~

~~In addition, owners will be required to treat multi-building projects as one project (owners must check “yes” on line 8b of IRS Form 8609 and attach the required statement as outlined on the form’s instructions). See Appendix Q of the Tax Credit Compliance Manual.~~</td>
<td>Streamline language from Section 2.13 and 2.13.1 to clarify intent of using Income Averaging as an election.

Language struck from this section incorporated into Sec 2.13.</td>
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<td>Section 6.6 Project-Based Rental Assistance</td>
<td>Points will be awarded to projects that meet the following threshold for federal project-based rental assistance (PBRA):

~~The rental assistance may be an existing or a new contract.~~ Federal rental assistance may be administered by HUD, USDA Rural Development, another state agency, or by the local Public Housing Authority, including Section 811 PBRA. Other local funding commitments for Operating and Maintenance (O&M) will also be considered for an additional point. Applicants must submit a letter at application containing a two-year minimum committment to receive points for O&M funding.

<table>
<tr><th colspan="2">Percentage of Low-Income Units with PBRA</th></tr>
<tr><td>10-25%</td><td>2 points</td></tr>
<tr><td>26-49%</td><td>3 points</td></tr>
<tr><td>50% or more</td><td>4 points</td></tr>
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<td>Updating language to allow consideration of Operating and Maintenance funding for points.</td>
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<tr><td colspan="2">Length of Funding Commitment for Operating and Maintenance</td></tr>
<tr><td>≥2 years</td><td>1 point</td></tr>
</table>
~~Also, Section 811 Project Based Rental Assistance (PRA) program is included.~~
The rental assistance may be an existing or a new contract, and must ~~The rental assistance must~~ be committed at the time of application. ~~Projects that use project-based rental assistance to establish eligibility for the Local Funding Commitment points are not eligible for points under this policy.~~
The Applicant must agree to renew such subsidy for as long as the rental assistance is available.
If rental assistance is eliminated, the applicant may request the Commission waive or modify the rent structure and target population to ensure the economic viability of the project.
Projects that use project-based rental assistance to establish eligibility for the Local Funding Commitment points are not eligible for points under this policy.
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<tr>
<td>**Section 6.12 Location Efficiency**</td>
<td>
2 Points
Points will be awarded to Projects that provide nearby access to food and go beyond the minimum Access to Community Resources ~~Services~~ criterion of the Evergreen Sustainable Development Standard (ESDS). Under ESDS Criterion 2.04a, urban projects should be located within 0.5 walk mile distance ~~¼ mile walking~~ of at least four, ~~two~~ or ~~a~~ within 1-mile ~~½ mile~~ of ~~at least 4~~ seven community, retail, or service facilities. Rural projects should be located within ~~2~~ 5 miles of at least ~~2~~ four facilities. For the purposes of this Allocation Criterion, urban and rural hold the same definitions as under ESDS (See Section 4.9) and the same distance measurement, from the center of the site to the entrance of the facility, will be used.
Two points will be awarded to Urban Projects that are:
</td>
<td>Updated reference to ESDS v4.1 with adjusted “beyond the minimum” thresholds.</td>
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	• located within ~~¼ walking~~ 0.5 mile walk distance of at least five community, retail or service facilities, or within ~~a ½~~ 1-mile ~~walking distance~~ of ~~5~~ eight facilities from the list below; AND • located within 0.5 mile walking distance of a supermarket, a grocery store with produce or a farmers' market. This does not count as one of the ~~3 or 5~~ 5 or 8 facilities referenced ~~in number 1~~ above. • Two points will be awarded to Rural Projects that are: • located within a ~~2~~ 5-mile driving distance of ~~4~~ 6 or more facilities from the list below; AND • one of the ~~4~~ 6 facilities must be a supermarket, a grocery store with produce or a farmers' market supermarket, a grocery store with produce or a farmers' market.	