

Explanation Regarding Format of the Proposed Changes to the 2018-2019 Housing Finance Plan

There is a total of 14 changes being made to the February, 2018 version of the Draft WSHFC 2018-2019 Housing Finance Plan. That draft plan was originally posted in February of 2018 and was the subject of the Public Hearing on March 22, 2018.

The changes are of the following types:

- **Major Modification.** A rewrite of section; new section and old section provided for context and comparison;
- **Minor Modification.** Edits or updates to a sentence or two; edit is highlighted in **yellow**;
- **Addition.** Paragraph(s)/sentence(s) added to existing text; and
- **Removal.** Removal of paragraph(s)/sentence(s).

To make reviewing easier, each proposed change is set out below by page number. At each edit, we have supplied you with section title(s) and the page number where the edit takes place so you can refer to the April 2018 version of the Draft WSHFC 2018-2019 Housing Finance Plan for additional context as necessary.

If you have any questions or comments, please contact Rich Zwicker at 206-287-4480 or rich.zwicker@wshfc.org.

1. MAJOR MODIFICATION

Page 1

Introduction to the WSHFC 2018-2019 Housing Finance Plan

Section: “Looking Ahead”

CHANGED TO:

The Housing Finance Plan focuses on the next two years. Historically, the long-term nature of housing requires us to think about contingencies that could arise over the next two decades. This long-term focus remains a priority of the Commission and is reflected in this Housing Finance Plan. However, this plan is proposed during an unprecedented time of change as demonstrated by two significant pieces of national legislation. In December of 2017, Congress passed the *Tax Cuts and Jobs Act of 2017*, which significantly lowered the corporate tax rate. It remains to be seen how that will impact the market’s desire for low-income housing tax credits and tax-exempt bonds.

In March of 2018, Congress passed the *Consolidated Appropriations Act, 2018*. In the Act, the 9% Tax Credit was increased by 12.5% per year, starting in 2018, for the next four years. Therefore, during the pendency of the Housing Finance Plan, a 25% increase in the 9% Tax Credit authority will be available. In 2018, the increase in the 9% Tax Credit will be distributed between the three geographic pools resulting in additional projects receiving funding. In regard to the future increases in the 9% Tax Credit, the Commission will consider how to best utilize those increases to maximize its effectiveness in future years.

Unique to the process of creating the 2018-2019 Housing Finance Plan, is that the Washington State Legislature did not pass its 2018/2019 Capital Budget until late January of 2018 which was after the closing of the 2018 9% Tax Credit Allocation application process. The delay in enacting the budget resulted in a delay in providing funding to the Housing Trust Fund. Because the Housing Trust Fund’s allocations are an integral part of the 9% Tax Credit Program and to ensure that the legislature’s capital budget allocation is used in a timely manner, the Commission intends to forward commit a portion of the 2019 9% Tax Credit allocation through a one-time competitive allocation process in mid-2018. The development of the application process for the forward allocation will take place concurrently with the approval of the 2018-2019 Housing Finance Plan. Therefore, this plan makes a general reference to the anticipated modification to the 2019 9% Tax Credit allocation process. However, it is anticipated that the process will not result in a modification to the 2020 9% Tax Credit allocation process.

We also face increasing affordability issues and local funding challenges. These uncertain times require the Commission, and its Housing Finance Plan, to remain flexible and responsive to changes in the industry, both market-driven and through legislation. For over thirty years the Commission has responded to these challenges and it will do so in 2018 and 2019.

1. MAJOR MODIFICATION (continued from previous page)

Page 1

Introduction to the WSHFC 2018-2019 Housing Finance Plan

Section: “Looking Ahead”

CHANGED FROM:

The Housing Finance Plan focuses on the next two years. Historically, the long-term nature of housing requires us to think about contingencies that could arise over the next two decades. This long-term focus remains a priority of the Commission and is reflected in this Housing Finance Plan. However, this plan is proposed just after an unprecedented time of uncertainty as demonstrated by the debate over tax reform which jeopardized some of the Commission’s programs. It remains to be seen how the lower corporate tax rate included in the Tax Cuts and Jobs Act of 2017 will impact the market’s desire for low-income housing tax credits and tax-exempt bonds.

Unique to the process of creating the 2018-2019 Housing Finance Plan, is that the Washington State Legislature did not pass its 2018/2019 Capital Budget until late January of 2018 which was after the closing of the 2018 9% Tax Credit Allocation application process. The delay in enacting the budget resulted in a delay in providing funding to the Housing Trust Fund. Because the Housing Trust Fund’s allocations are an integral part of the 9% Tax Credit Program and to ensure that the legislature’s capital budget allocation is used in a timely manner, the Commission intends to forward commit a portion, or all, of the 2019 9% Tax Credit allocation through a competitive allocation process in mid-2018. The development of the application process for the forward allocation will take place concurrently with the approval of the 2018-2019 Housing Finance Plan. Therefore, this plan is only able to make general reference to the anticipated modification to the 2019 9% Tax Credit allocation process. However, it is anticipated that the process will not result in a modification to the 2020 9% Tax Credit allocation process.

We also face increasing affordability issues and local funding challenges. These uncertain times require the Commission, and its Housing Finance Plan, to remain flexible and responsive to changes in the industry, both market-driven and through legislation. For over thirty years the Commission has responded to these challenges and it will do so in 2018 and 2019.

2. MAJOR MODIFICATION

Page 3

Introduction to the WSHFC 2018-2019 Housing Finance Plan

Section: “Acknowledgements”

CHANGED TO:

We also express our sincere appreciation to our national congressional delegation on both sides of the aisle, for their longtime support of the Commission and its programs. In late 2017 and early 2018, our delegation proved instrumental in protecting the tax credit and private activity bonds during the creation of the *Tax Cuts and Jobs Act of 2017* and increasing the 9% tax credit, along with other affordable housing improvements, during the negotiation of the *Consolidated Appropriations Act, 2018*.

CHANGED FROM:

We also express our sincere appreciation to our national congressional delegation on both sides of the aisle, for their longtime support of the Commission and its programs and especially to those that proved instrumental in protecting the tax credit and private activity bonds during the creation of the recent tax reform legislation.

3. MINOR MODIFICATION

Page 7

Potential Resources Available to the Commission in 2018 and 2019

Section: “Unified Volume Cap Authority for Tax-Exempt Bonds”

CHANGED TO:

In 2016, the bond cap allocation was modified to increase the percentage of the allocation for affordable housing from thirty-two percent to forty-two percent. Therefore, in accordance with [RCW 39.86.120](#), forty-two percent of the bond cap will be dedicated to funding affordable housing, which will result in an allocation of **\$326,593,266.30** in 2018. Of this amount, the Commission will receive **\$261,274,613.04**, which is 80% of the housing allocation.

4. MAJOR MODIFICATION

Page 8

Potential Resources Available to the Commission in 2018 and 2019

Section: “The Impact of State Legislation”

CHANGED TO:

Finally, RCW 42.180.160 sets forth the total amount of outstanding indebtedness the Commission may have at any time. In March of 2018, the Legislature passed SB 6371, which increased the Commission’s debt limit from six billion dollars to eight billion dollars.

CHANGED FROM:

Finally, RCW 42.180.160 sets forth that six billion dollars is the total amount of outstanding indebtedness the Commission may have at any time. In 2017, the Commission surpassed the five-billion-dollar figure. During the 2018 legislative session, the Commission is seeking an adjustment to its debt limit, raising it to eight-billion dollars, but unless and until an adjustment is passed by the Legislature, the Commission is nearing its debt limit.

5. MAJOR MODIFICATION

Page 9

Potential Resources Available to the Commission in 2018 and 2019

Section: “The Impact of Federal Legislation”

Following section moved from Page 9 (The Impact of Federal Legislation) to Page 8 (The Impact of State Legislation) and is modified as follows:

CHANGED TO:

Until 2013, the Commission could only purchase a down payment assistance loan from a participating mortgage lender and could not make a direct down payment assistance loan to a borrower. During the 2013 legislative session, SB 5558 was passed, authorizing the Commission to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

CHANGED FROM:

Prior to the passage of SB 5558, the Commission could only purchase a down payment assistance loan from a participating mortgage lender and could not make a direct down payment assistance loan to a borrower. The bill authorized the Commission to make loans for down payment assistance to homebuyers in conjunction with other Commission programs.

6. ADDITION

Page 9

Potential Resources Available to the Commission in 2018 and 2019

Section: “The Impact of Federal Legislation”

ADDED TO END OF THE SECTION:

In March of 2018, Congress passed the *Consolidated Appropriations Act, 2018*. In the Act, the 9% Tax Credit was increased by 12.5% per year, starting in 2018, for the next four years. The Act also created a new occupancy set-aside option known as “income averaging.” Determining how the Commission will implement income averaging in the application and compliance process will be discussed in the upcoming year.

7. MAJOR MODIFICATION

Page 15

Potential Resources Available to the Commission in 2018 and 2019

Section: “Low-Income Housing Tax Credit”

CHANGED TO:

In March of 2018, Congress passed the *Consolidated Appropriations Act, 2018*. In the Act, the 9% Tax Credit was increased by 12.5% starting in 2018. The Act increased the state’s annual Tax Credit authority during the Plan period from \$2.40¹ to \$2.70 per state resident times 10 years of credit, based on the inflation adjusted value calculated by IRS. Therefore, it is estimated that the Commission’s tax credit authority will be²:

2018: \$199,955,061

2019: \$203,458,770

CHANGED FROM:

The state’s annual Tax Credit authority during the Plan period is \$2.40 per state resident times 10 years of credit, based on the inflation adjusted value calculated by IRS³. Therefore, it is estimated that the Commission’s tax credit authority will be⁴:

2018: \$177,737,832

2019: \$180,852,240

¹ IRS Revenue Procedure 2017-58, released October 19, 2017 sets the rate at \$2.40 per resident for 2018.

² LIHTC are allocated for 10 years. Credit amounts used in this Plan are the 10-year totals.

³ IRS Revenue Procedure 2017-58, released October 19, 2017 sets the rate at \$2.40 per resident for 2018.

⁴ LIHTC are allocated for 10 years. Credit amounts used in this Plan are the 10-year totals.

8. MINOR MODIFICATION

Page 19-20

Potential Resources Available to the Commission in 2018 and 2019

Section: “Summary of Program-Related Investments (PRI)”

CHANGED TO:

RAPID RESPONSE PROGRAM

In 2008, the legislature approved \$10 million to initiate the Rapid Response Program. The intent of the program is to position eligible non-profit organizations to quickly respond to those market conditions that threaten affordable rental housing and low-income residents of communities. Loans are not intended to pay construction or rehabilitation costs but rather to acquire property. The Commission, in partnership with the state Department of Commerce, developed guidelines to administer the program and created performance measures to evaluate the program.

The Rapid Response Program is a “rolling” loan program with no application deadline. Applications are accepted and projects are considered for funding based upon the availability of funds and the urgency of the submitted proposals. **Currently, although the program remains in existence, there is not adequate funding for applications.** All housing developed under the program is intended to target populations at or below 80% of the area median income (AMI) with particular emphasis on rental housing under 50% AMI and is subject to a minimum of 30-years of affordability. Loans may be outstanding for up to 50 years. Projects have been distributed throughout the state and have provided over 400 units.

9. MINOR MODIFICATION

Page 22

Proposed Uses of Resources Available to the Commission in 2018 and 2019
Section: “Use of Tax Credit Authority”

CHANGED TO:

USE OF TAX CREDIT AUTHORITY

The Commission anticipates allocating approximately \$403,413,831 million during the Plan period.

2018: \$199,955,061

2019: \$203,458,770

10. ADDITION

Page 27

Proposed Uses of Resources Available to the Commission in 2018 and 2019
Section: “501(c)(3) Bond Authority”

ADDED:

In 2018, the Legislature passed SB 6371 which expanded the definition of “nonprofit corporation” in RCW 43.180.300 to include “any public development authority, or any organization identified in RCW 43.185A.040. This change broadens the 501(c)(3) program to include organizations such as housing authorities, public development authorities, and tribes, and mirrors the definition of eligible nonprofit and public organizations used by the state Housing Trust Fund.

11. ADDITION

Page 28

Appendix A; “General Policies of the Housing Finance Commission”

ADDED TO END OF SECTION ON PAGE 28:

Finally, the Commission will continue its role as an information resource to local governments, local, state and federal elected officials, and the for- and non-profit sectors regarding affordable housing finance, programs, products and services. This will be accomplished through outreach, instruction and responses to requests for information, advice and guidance.

12. REMOVAL

Page 31

Appendix B; “Down Payment Assistance Programs”

THE FOLLOWING PARAGRAPH WAS REMOVED:

SCHOOLS DPA

Schools DPA is a second mortgage down payment assistance program for teachers and employees of community or technical colleges and K-12 public or private schools. As of June 30, 2017, the Program has assisted 5 families.

13. MAJOR MODIFICATION

Page 22

Appendix C: The Multifamily Housing and Community Facilities Division
Section: The 9% Competitive Housing Tax Credit Program

CHANGED TO:

The State receives an allocation each year based on a dollar amount per person in the state. This is the per capita authority amount allowed to the state for allocation. The per capita authority amount for 2018 is \$19,995,506 or \$2.70 multiplied by an estimated 7,405,753 Washingtonians.

CHANGED FROM:

The State receives an allocation each year based on a dollar amount per person in the state. This is the per capita authority amount allowed to the state for allocation. The per capita authority amount for 2017 was \$17,126,880 or \$2.35 multiplied by an estimated 7,288,000 Washingtonians.

14. MINOR MODIFICATION

Page 59

Appendix G; “Major Accomplishments of the Commission Since 1983”

CHANGED TO:

- Successfully sponsored Housing Washington, a statewide annual housing conference, for the past 22 years. The most recent conference, Housing Washington 2017, was attended by nearly 700 people and attracted speakers and attendees from across the nation.