WASHINGTON STATE
HOUSING FINANCE
COMMISSION

memorandum

To: WSHFC Multifamily Stakeholders

From: Lisa Vatske

CC: Kim Herman

Date: January 8, 2018

Re: Proposed Revisions to Bond/Tax Credit and Bond only Program Policy for 2018 Program Year

The above-noted policy has been delayed due to the recent federal tax reform legislation which had put PABs (Private Activity Bonds) in doubt. The plan is to receive approval for these policy changes from the Commissioners at the January 25 Commission meeting.

Attached to this memorandum you will find excerpts of the proposed policy changes. A full blackline version of the policy is also posted.

Comments are welcome by mail to the Commission's address or emailing to AskUsMHCF@wshfc.org, please reference "bond/tax credit policy" in the subject line.

A general stake holder meeting will be held at the Commission's Seattle Offices in the 28th floor training room on January 16, 2018 at 1 p.m. A conference call number will be provided. If you plan on calling or dialing in, please respond to the AskUs email address so that we can be sure and have enough lines available.

Address correspondence to: Attn: MHCF, 1000 Second Avenue, Suite 2700, Seattle, WA 98104-1046

2.4.6 TDC per Unit Limit Schedule

	Studio	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
King/Seattle	$251,974~~$244,~~	$291,631~~$2~~	$309,899~~$30~~	$347,551~~$337~~	$382,857~~$37~~
Pierce and Snohomish	$242,494~~$235,~~	$282,881~~$2~~	$299573~~$290,~~	$337,124~~$327~~	$371,373~~$36~~
Metro	$234,597~~$227,~~	$264,673~~$2~~	$289,626~~$28~~	$334,184~~$324~~	$368,132~~$35~~
Balance of State	$170,147~~$165,~~	$191,573~~3$~~	$217,147~~$21~~	$282,055~~$273~~	$310,378~~$30~~

3.12 **Existing Manufactured Housing Communities**

These communities often have land owned by a landlord and the dwelling units are owner-occupied units. Often these are affordable homeownership properties with average incomes below 60% of median. The Commission actively works to preserve this type of affordable homeownership. When the property is sold to a developer, the residents are not only losing their homes, but their investment, and their community (neighborhood). Residents in these communities tend to be very low income. In many of the communities the Commission has preserved through resident ownership, the residents had incomes at 30% of median income or below.

If you are seeking to purchase such a community for development into low-income rental units, please contact us. We would like to work with you to develop an equitable solution for the home-owners. Ideally, homeowners would be reimbursed at the assessed value of their home plus full moving costs.

Please be aware of RCW 59.20.300, Manufactured/mobile home communities—Notice of sale.

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4 Bond Cap and Tax Credit Allocation Criteria

Commission staff will use the Bond Cap and Tax Credit Allocation Criteria described below and the points assigned to each Allocation Criteria to assess the degree to which a proposed project promotes the Commission's housing priorities as outlined in WAC 262-01-140 "Private Activity Bond Cap allocation" and WAC 262-01-130 "Tax Credit Program Rules". The rules specifically include readiness as part of the allocation criteria, WAC 262-01-140 (2) *"As part of its application, each applicant shall demonstrate to the commission's satisfaction that it is ready to proceed with the financing of its project."*

When market conditions develop so that demand for private activity bonds exceeds the amount of Bond Cap available, the Commission may implement a reservation requirement for bonds and hold competitive rounds for Bond Cap Allocation. ~~in order to allocate Bond Cap and 4% Tax Credits.~~ During this competitive process projects will be ranked according to readiness and scoring.

Current demand is anticipated to exceed the Bond Cap and Carryforward Bond Cap available. The Commission is announcing competitive allocation rounds~~Bond Rounds~~ ~~for 2017~~. Please refer to our website for the current dates and application timelines.

A **minimum of 40 points** must be selected from the options below in order to apply for the Bond/Tax Credit Program.

For scattered site or portfolio applications each property~~project~~ must meet the 40-point minimum.~~and are scored individually~~. The portfolio score will be the weighted average score of the ~~Project sites~~properties.

If points are in dispute, the decision will be made by the Director of MHCF.

4.7 Leverage of Taxable Bonds

Points will be awarded to projects that use taxable bonds as a portion of the Project's total bond issue according to the following scale:

- 2% of the Total Bond Issue........................1 point
- 4% of the Total Bond Issue........................2 points
- 6% of the Total Bond Issue........................3 points
- 8% of the Total Bond Issue........................4 points
- 10% of the Total Bond Issue........................5 points
- 12% of the Total Bond Issue........................6 points
- 14% of the Total Bond Issue........................7 points

In order to be eligible for points under this criterion, the appropriate amount of taxable bonds must be listed in the Project Financing section of the Application. Bonds must be issued by the Commission.

4.8 Cost Efficient Development

Points will be awarded for projects that will achieve development cost efficiencies of the applicable total development cost limits according to the schedule below (see Section 2.3). Points will be awarded provided at least three amenities (See Section 4.21) are included in the Project. For Acquisition/Rehab projects, existing amenities may count towards the minimum required.

- ≥ 5% of the limits 1 point
- ≥ 10% of the limits 2 points
- ≥ 15% of the limits 3 points
- ≥ 20% of the limits 4 points
- ≥ 25% of the limits 5 points

4.22 Utility Allowance Option

Two Points for projects which are not regulated by HUD or RD and choose to use either Method 6 (Actual Usage Estimate) or Method 8 (Energy Consumption Model) of Appendix O of the Tax Credit Compliance Procedures Manual. ~~Projects regulated by HUD or RD are not eligible for these points~~.

4.24Energy Efficient Building

Points will be awarded for projects that meet the requirements of Zero Energy Ready or Zero Energy. Applications must indicate the certification that will be provided. In addition, any costs incurred for this option may not be used to qualify for a TDC waiver.

3 points: "Zero Energy Ready",

- Built Green 5 Star
- Passive House (PHIUS+ or PHI)
- Evergreen Standard options to meet Passive House requirements and equivalent EUI rating

5 points: "Zero Energy"

- ILFI Zero Energy
- Built Green Net Zero Energy Label
- Passive House (PHIUS+ or PHI) plus ILFI Reveal Label showing net zero performance

4.26 COMBO Properties

Five points for properties that have been awarded an allocation of 9% tax credits in the most recent tax credit round and are seeking to combine bond application with 4% tax credits as part of the project. To receive these points, the building or buildings must:

- Be located on the same or contiguous sites
- Be purposed to obtain greater land use density
- Broaden the population being served
- Share construction and development efficiencies
- Close financings simultaneously

6 Placed-in-Service Requirements

The Commission will accept and process Placed-In-Service documents and issue IRS Form 8609(s) throughout the year. However, a project owner must submit all Placed-In-Service documentation, including the Independent Certified Public Accountants Report ("Cost Certification"), Energy Efficient Building certifications if necessary, and the certificates of occupancy for each building in the Project at least 60 days prior to when they expect to receive the IRS Form 8609(s).

9.1.3 Cost of Issuance Deposit

When Bond Cap is allocated in a non-competitive manner, the Bond Cap Reservation Fee is waived. Instead, the Applicant must deliver a Cost of Issuance Deposit of ½ of 1% of the proposed bond issue, up to a maximum of $~~150~~75,000 to the Commission at the time of the Scoping Meeting. Bond counsel is not permitted to commence work on bond documents until the cost of issuance deposit is received.

MORE

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9.1.8 Annual Commission Fee for Tax-Exempt Bond Issuance

Bond projects using the 4% Low-Income Housing Tax Credits will have 12.5 basis points waived from the 30 basis point ongoing annual fee resulting in an adjusted annual fee of 17.5 bps. The Commission reserves the right through its formal meeting process to change this fee waiver on future projects or non-conforming projects.

Each project will be required to pay a minimum amount of annual ongoing Commission fees (the "Minimum Ongoing Fee") calculated at closing as follows:

(MAXIMUM PAR AMOUNT * 0.00175) * 5

The annual ongoing Commission fees must be paid:

- At closing, in an amount equal the portion of the ongoing annual fee prorated for the time from the closing date to the next occurring January 1 or July 1; and
- Thereafter, semiannually on each January 1 and July 1 in an amount equal to 17.5 bps of the outstanding par amount of the bonds (or, for bonds which may still be drawn down, the maximum par amount of the bonds) on the most recent July 1 (after any principal redemptions on such date).
- Provided that If at the time of final bond redemption, the aggregate amount of ongoing annual Commission fees paid to date is less than the Minimum Ongoing Fee, that unpaid portion of the Minimum Ongoing Fee will be due and paid before the final bond redemption maybe made.

For bond issues that mature in less than five years, the Borrower may elect to prepay the Minimum Ongoing Fee on the closing date.

Tax credit compliance monitoring fees will apply and be billed separately as defined in the Extended Use Agreements.

~~The ongoing annual fee for projects financed through the Bond/Tax Credit Program is 30 basis points of the outstanding bond amount as of July 1 of each year. The annual Commission Fee is payable in advance, in semi-annual installments due on July 1 and January 1. The Commission may waive a certain portion of the ongoing fee or impose a minimum fee. The Commission reserves the right to change the criteria of any waiver at any time or to revoke it for those projects that fail to abide by the terms of the Bond/Tax Credit Program Regulatory Agreements. Current fee minimums and waivers are:~~

- ~~The fee for bond projects using tax credits without an early or post construction period redemption is 17.5 bps; i.e. 30 bps less the 12.5 bps reduction waiver.~~
- ~~For projects redeeming or paying off all the bonds post construction the fee is 30 basis points of the face value of the bonds for the initial two-year period. The fee will be collected in advance at the time of bond closing. If bonds are outstanding beyond the two years, a fee will be due at 30 basis points on a 30/360 annual basis until the bonds are redeemed.~~
- ~~Additionally, if a majority and not all of the bonds are redeemed after the construction period, the ongoing bond fee during construction will remain at 30 basis points. After redemption, any remaining bonds will receive a fee waiver of 12.5 basis points.~~

9.2.3 Tax Credit Equity Provider Closing Payment

The tax credit equity provider will be required to make an equity contribution of at least $50,000 before the Commission will close on the bonds. The contribution is due the morning of bond pre-closing. This deposit will be held by the trustee, paying agent, or escrow agent until the bonds close, at which time the funds are dispersed as directed in the closing memorandum. The timing of this requirement may be adjusted when more than 3 business days separate the pre-closing from closing with approval of the Director of Multifamily Housing and Community Facilities.