2018 Bond/Tax Credit Policy Proposed Changes.

Substantive changes only, minor corrections are not highlighted.

2.4 TDC per Unit Limit Schedule

	Studio	One Bedroom	Two Bedroom	Three Bedroom	Four Bedroom
King/Seattle	$251,974~~244,635~~	$291,631~~283,~~	$309,899~~300,87~~	$347,551~~337,42~~	$382,857~~371,70~~
Pierce and Snohomish	$242,494~~235,431~~	$282,881~~274,~~	$299573~~290,84~~	$337,124~~327,30~~	$371,373~~360,55~~
Metro	$234,597~~227,764~~	$264,673~~256,~~	$289,626~~281,19~~	$334,184~~324,45~~	$368,132~~357,41~~
Balance of State	$170,147~~165,191~~	$191,573~~185,~~	$217,147~~210,82~~	$282,055~~273,84~~	$310,378~~301,33~~

A Project's TDC Limit is the sum of the total number of units of each bedroom size multiplied by the cost Limits of that bedroom size. Total Development Cost is defined as the Total Residential Project Cost minus the cost of land, the costs associated with offsite infrastructure improvements and the capitalized reserves as detailed below. All units (low-income, market-rate and common area units) are to be included in the calculation.

The cost of land is subtracted out. Additional costs associated with the land including, but not limited to, closing costs, site work or purchase and sale extensions must be included in the Total Development Cost for the purposes of determining whether a project exceeds the TDC Limit.

Offsite infrastructure improvements are defined as: improvements required by the City to be dedicated for use by the public and can include roads, curbs, gutters, sidewalks, storm water drainage, domestic water inflow and utilities, including utility steel casings, wiring and installation fees.

Capitalized Reserves include long-term reserves such as an operating reserve or a replacement reserve; they do not include reserves capitalized to cover the lease-up period.

Projects are subject to the Development Cost Limit Schedule in place at the time of Application. As part of the Application, Projects must provide a detailed breakdown of anticipated Total Project Costs.

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 homeowners. 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.

4.0 Bond Cap and Tax Credit Allocation Criteria

Commission staff will use the Bond Cap and Tax Credit Allocation Criteria described below and the ~~point4s~~ 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".

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 allocation rounds in order to allocate Bond Cap and 4% Tax Credits. In that circumstance, the allocation criteria below would be used for the purposes of ranking projects.

Current demand is anticipated to exceed the Bond Cap and Carryforward Bond Cap available. The Commission is currently conducting competitive allocation rounds. Please refer to our website for the current dates and application timelines. ~~announcing Bond Rounds for 2017.~~ Therefore, the scoring criteria will be used along with readiness, to rank projects for the allocation of Bond Cap as well as Carryforward Bond Cap. A **minimum of 40 points** must be selected from the options below to apply for the Bond/Tax Credit Program. A score of 40 points may not be competitive during the competitive allocation ~~Rround process~~ rounds. For scattered site or portfolio applications each ~~project~~ property must meet the 40-point minimum.~~ and are scored individually.~~ The portfolio score will be the weighted average score of the properties~~Project sites~~.

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

Summary of Bond/Tax Credit Program Scoring

• **Additional Low-Income Set-Asides:**	
90% at 60% AMI, 10% at 40% AMI	2
70% at 60% AMI,30% at 50% AMI	4
50% at 60% AMI, 50% at 50% AMI	6
30% at 60% AMI, 70% at 50% AMI	8
100% at 50% AMI	10
• **Additional Low-Income Housing Use Period**	1-11
• **Serving Priority Populations:**	
10% for Large Households	5
10% for Persons with Disabilities	5
20% for Large Households	10
20% for Persons with Disabilities	10
100% of the units reserved for Seniors	5
Assisted Living	10
• **Project-Based Rental Assistance:**	
Less than 16% of low-income units	2
16-25% of low-income units	4
26-50% of low-income units	6
51-75% of low-income units	8
76-100% of low-income units	10
• **811 Project Rental Assistance**	1
• **Leveraging of Public Resources:**	
5% of Total Project Costs	3
10% of Total Project Costs	5
15% of Total Project Costs	10
• **Leveraging of Taxable Bonds**	1-7
• **Cost Efficient Development**	
≥ 5% of the limits	1
≥ 10% of the limits	2
≥ 15% of the limits	3
≥ 20% of the limits	4
≥ 25% of the limits	5
• **Limiting of Developer Fee**	1-5
• **Rehabilitation Project**	5
• **Re-syndication**	5
• **At-Risk Properties**	5
• **Property Type:**	3
Grayfield, Adaptive Reuse or Historic	3
Brownfield	6
• **Location Efficient Projects**	3
• **Area Targeted by a Local Jurisdiction**	2
• **Transit Oriented Development**	3
• **Community Revitalization Plan**	3
• **High/Very High Opportunity Areas**	1
• **Nonprofit Sponsor**	3

- **Donation in Support of Local Housing** 4
- **Donation in Support of Local Housing** 8
- **Development Amenities:**
  - Onsite Community Garden 1
  - Onsite Fitness Center 1
  - Onsite Business/Learning Center 1
  - Onsite Media Center 1
  - Onsite Playground/Fitness Trail 1
  - Bicycle Storage 1
- **Utility Allowance Option** 2
- **Solar Options**
  - Solar PV Installation 3
  - Solar Thermal (Hot Water) Installation 3
- **Net Zero** 3
- **Project Innovation** 5
- **COMBO-9%/Bond 4% Property** 5

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 ~~that have~~ existing ~~some or all of the three~~ amenities may count towards the minimum required.~~be pre-existing.~~

- ≥ 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

4.13 Property Type – Grayfield, Brownfield, Adaptive Reuse or Historic Building

Points will be awarded to projects that ~~are located in the following types~~ meet one of the following criteria ~~of properties~~. Only one criterion~~category~~ may be selected.

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.~~

4.24 Net Zero

Three points will be awarded for a property that has greatly reduced its energy loads so that, averaged over a year, 100% of its energy use is met by onsite renewable energy technologies; i.e., Net Zero. Any costs related to taking these points need to be within the current TDC limit policy and are not eligible to be considered for a waiver.

4.25 Project Innovation

New Idea, Design, Achievement, Service. Five points will be awarded to no more than two projects in any ~~Round~~ competitive allocation round for barrier breaking initiatives that can demonstrate innovation in, but not limited to, the categories below:

- Innovative Design: special population amenities, ~~**net zero/energy efficiency**~~**energy design**, creative land use, building repurposing, cost saving techniques, modular construction, creative features targeted to serve special populations
- Innovative Service: population income mix, community response accommodation, service in-unit design, smart appliances, resident health and safety monitoring, services to seniors and special populations
- Innovative Financing: leveraging of funds, new financing strategies, debt sources, equity sources, partnerships with non-housing organizations

In applying for this category please provide a detailed write-up explaining the innovation, in the category or categories above. Include commitments from any funding, service, energy, design, or other partners. A committee will review the proposal and recommend proposals to be awarded the points. Please note there is no guarantee that points will be awarded in this category. Consideration will be given for replicability.

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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

6.0 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"), NET ZERO and/or renewable energy verification 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 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 $~~1~~75~~0~~,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.

The deposit may be used to pay the Project's costs of issuance; or if the cost of issuance account is adequately funded, the deposit may be returned or used to pay other costs at closing.

9.10 Annual Commission Fee for Tax-Exempt Bond Issuance

~~All b~~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 fee.~~The minimum aggregate ongoing annual fee~~ (the "Minimum Ongoing Fee") ~~will be~~ calculated at closing as follows:

(MAXIMUM PAR AMOUNT X~~*~~ 0.00175) ~~*~~X 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 ~~B~~bonds) on the most recent July 1 (after any principal redemptions on such date);

- provided, that if at the time of the final bond redemption~~the bonds are redeemed before~~ the aggregate ongoing annual fees paid is less than ~~equal~~ the Minimum Ongoing Fee, ~~the~~ that unpaid portion of the Minimum Ongoing Fee shall be due and paid before the final bond redemption may be 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.~~

Bond Cap Allocation Fee

Each project will be charged 2.77 basis points (0.000277) of the tax-exempt bond amount to cover the Department of Commerce's fee for allocations of Bond Cap and costs incurred by the Commission to administer recycled bonds. This fee is due at closing. ~~for projects financed Commission bonds.~~

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~~d~~ the pre-closing from closing with approval of the Director of Multifamily Housing and Community Facilities.

Glossary

Note: The following definitions are used in the Policies and in other documents that relate to the Tax Credit Program. Capitalized terms in the Policies bear the meaning given them in the definitions in this Glossary.

The definitions in this Glossary may be amended by the Commission to comply with federal or state law. If there is a conflict between an Internal Revenue Code and a Tax Credit Program definition, restriction, or requirement, the more restrictive one will apply, as determined by the Commission.

COMBO Properties are properties that have competitively won a 9% allocation of LIHTCs and are seeking to combine bond application with 4% tax credits as part of the project in order to realize a building or buildings on the same or contiguous sites to increase land use density, serve a broader population, economize or share on construction and development costs and undergo simultaneous financing.