Below are the Housing Finance Commission's recommended changes to the program policies of the January 2021 bond/tax credit (4%) allocation round. These are updated and revised as of 10-20-2020.

These recommendations are the culmination of a stakeholder engagement process that included a stakeholder meeting, an online survey and numerous written comments and one-on-one conversations. Staff have considered that feedback as we seek to balance the state's overall housing needs and priorities. Additional intent and language to clarify eligibility may still be added from the Commission meeting scheduled on Thursday, October 22nd.

The current bond/tax credit policies can be found here.

Jump to a Topic

1 Topic: Race, Equity and Social Justice

Intent: As the Commission commits to assessing its program and policies with a race, equity and social justice lens and undergoes its own cultural fluency assessment, require sponsors, developers, and property managers to do the same. Although this first step is a questionnaire without specific allocation criteria, it is intended to inform future policies and will likely become a training requirement for property managers at Placed in Service.

Proposed Change:
Questionnaire to be added to the application process. The questionnaire uses questions that the City of Seattle requested on their current NOFA process on applicant organization and project details, as well as additional questions regarding property management practices.

2 Topic: Building Features (a.k.a. Amenities)

Intent: Based on our initial work and commitment to review our programs with a race and social justice lens and stakeholder input regarding this category, remove points for amenities to ensure there are not ongoing unintended consequences and implicit bias.

Proposed Changes:
Remove points and building features section from Chapter 4.

Add new section for Community Facilities:
Affordable housing developments that plan to incorporate licensed facilities into their development will be eligible for 2 points. Facilities include the following:

- Onsite Early Learning Facility
- Onsite Adult Daycare Facility
- Onsite Health Care Clinic
- Other Community Service (with pre-approval)

3 Topic: Length of Commitment

Intent: All applicants have been taking the points in this category in recent years, demonstrating that we can extend set-asides for lower incomes without rendering projects financially infeasible. By turning Length of Commitment into a threshold requirement, we ensure projects we finance will be affordable for at least 25 years, in addition to the additional 15-year tax-credit partnership period, for a total of 40 years.

Proposed Change:
Move Additional Low-Income Housing Use Period language into Chapter 3 Minimum Threshold Requirements. Remove the points and language from Chapter 4 Bond Cap and Tax Credit Allocation Criteria.

4 Topic: Clarifying priorities for recycled bond cap

Intent: As we continue to use recycled bond cap, and as it has become a scarcer resource with specific timing constraints, these priorities will provide the framework for how we allocate this resource.

Proposed Change:
Add the following language to section 2.3 Maximizing the Use of Recycled Bond Cap:
Priorities for Recycled Bond Cap:

1. Finance the development of additional projects
2. Lower the use of the bond cap
3. Finance what otherwise would be financed under taxable bonds

5 Topic: Clarifying language on Property Transfers; edits to compliance language

Intent: We added property transfer language to the Compliance Manual to provide the Commission with the ability to approve transfers of the upper tier investors. As this issue has evolved, we made additional edits to clarify our language. Also, we made additional minor edits and clarifying language to various sections of Chapters 5, 6, 7, and 9 to update to current practices for Placed in Service, Compliance, and fees.

Proposed Change:
Add property transfer section to chapter 7 to align with the compliance manual and add a link in the policies to the online compliance manual.

Proposed new section of chapter 7 to read: "For limited partner or upper tier member changes only, the Transferee must submit a certification that the Transferee has not had a claim filed against it in litigation in any jurisdiction concerning a sponsor's, partner's, or member's ownership interest in a low Income Housing Tax Credit project after the initial term of the partnership (year-15 exit). Otherwise, in case of any such claims, the Transferee must provide a complete list of proceedings in which such claims have been filed (specifying case names, case numbers, courts, dates, parties, claims raised, and dispositions) along with a written explanation and supporting documentation demonstrating clear and convincing evidence to the Commission's satisfaction (1) each claim filed against it was no fault of the Transferee's and (2) the Transferee has consistently acted in furtherance of the Low Income Housing Tax Credit Program's goals, including the preservation of projects as low-income housing for the longest periods and, to the extent applicable, the continuing material participation of nonprofit housing organizations. The entire submission (list, explanation, and supporting documentation) should not exceed 20 pages total. The Commission reserves the right, in its sole discretion, to request more information, and if extensive review is required, to charge a supplemental fee to recoup its costs.

6 Topic: Project weighted option average as an option for 100% at 50%

Intent: Allow for additional flexibility and option for greater diversity of rent levels and target incomes served within the highest point category.

Proposed Change:
Add *100% of the housing units at weighted average of 50% AMI* for 10 Points.

7 Topic: Leverage

Intent: Acknowledge and incentivize a wide range of public and private resources that are leveraged as part of the capital financing stack. Allow for a wider range of options for points and more accurately reflect the level of leverage that is being provided. Based on stakeholder feedback, drop proposal for short- term points and specify that long-term is 15 years or the term of the initial tax credit partnership period, whichever is longer and clearly prioritize public resources**. Maximum amount of points for leverage is 10, including the two public leverage points.**

Proposed Change:

- **4.6 Leveraging of Permanent Financing Sources**

Points will be awarded to projects that have received a substantial funding commitment from a federal, state or local government in the form of a loan, grant or contribution of land for the Project's development, as well as funding from a philanthropic, social impact or pre-approved corporate source. Financing sources must be a minimum of 15 years or the term of the initial tax credit partnership period, whichever is longer to be eligible for points under this section. Points will be awarded based on the following schedule with a combined value of at least:

3% of the Total Project Costs	1 point
6% of the Total Project Costs	2 points
9% of the Total Project Costs	3 points

12% of the Total Project Costs	4 points
15% of the Total Project Costs	5 points
18% of the Total Project Costs	6 points
21% of the Total Project Costs	7 points
24% of the Total Project Costs	8 points
27% of the Total Project Costs	9 points
30% of the Total Project Costs	10 points

Funds must be committed at the time of application to be eligible for these points. Applicants must include evidence of funding commitments under the Project Financing section of the Application. Land donation and nominal value land leases will be valued according to the Fair Market Value of the property substantiated by a recent appraisal.

Please Note: For all sources, applicants must demonstrate that terms are below market and favorable compared to market terms.

Any affiliate or sponsor contributions will need to demonstrate they are third party funds that are being contributed from outside sources unrelated to the applicant. Commission staff must pre-approve Corporate sources.

Capital contributions by Public Housing Authorities who are also serving as the developer in the Project are eligible for these points.

Tax-exempt bonds, loans or credit enhancement associated with bond financing such as Fannie Mae, Freddie Mac, and FHA are not considered “leverage” for the purposes of this policy. In-kind contributions such as goods and services are also not considered eligible for the purposes of this policy.

- **4.6A Leverage of Public Resources**

In addition to the points awarded above, two additional points can be awarded for projects that have 50% (fifty percent) or more of their ***leveraged*** funds from public sources. Only federal, and Washington state local and state resources are eligible. These points are to acknowledge and support local and state priorities.

The maximum amount of points for leverage, including the public leverage points, is 10.

8 Topic: TDC Limits

Intent: Review and adjust TDC limits annually based on ENR data. Increase the TDC limits by 4% for King, Pierce, Snohomish, and Clark and 2% for Metro and Balance of State. Based on stakeholder feedback increase the differential between 2, 3- and 4-bedroom units by 5%.

Proposed Change:

- **2.4.6 TDC Limits**

	Studio	One Bdrm	Two Bdrm	Three Bdrm	Four Bdrm
King/Seattle					
Current	$282,891	$327,414	$347,924	$390,196	$429,834
4% Increase	$294,207	$340,511	$361,841	$405,804	$447,027
Adding in 5% boost				$408,002	$449,089
Pierce/Snohomish/Clark					
Current	$272,248	$317,590	$336,330	$378,489	$416,940
4% Increase	$283,138	$330,294	$349,783	$393,629	$433,618
Adding in 5% boost				$395,821	$435,617
Metro (Thurston, Spokane & Whatcom)					
Current	$248,884	$280,791	$307,264	$354,536	$390,551
2% Increase	$253,862	$286,407	$313,409	$361,627	$398,362
Adding in 5% boost				$364,038	$400,199
Balance of State					
Current	$180,509	$203,240	$230,371	$299,233	$329,280
2% Increase	$184,119	$207,305	$234,978	$305,218	$335,866
Adding in 5% boost				$308,730	$337,398

9 Topic: Energy – Changing Utility Allowance Points to Energy Modeling and Audit Points

Intent: The proposed changes will expand the eligibility of these points to all projects and move the energy modeling and audits into the pre-development stage to better incorporate cost effective, energy efficiency measures. No change in points but change in criteria for meeting these points.

Proposed Change:

- **4.18 Energy Efficiency Modeling and Audits**

To encourage building owners to make early savings investments that optimize a building's energy efficiency, we are encouraging the use of energy modeling for new construction and energy audits for rehabilitation.

New Construction
Two points will be awarded for projects that select Option #1 from ESDS Section 1.1B. The selected consultant must be chosen from the Commission's approved roster of energy modeling consultants.

Projects must submit with their application a commitment letter from the selected consultant attesting they can perform the work on schedule to meet the requirements of ESDS Section 1.1B Option #1. The commitment letter must also include an overview of the scope of work to be completed and the estimated fee amount.

As part of the Placed-in-Service package, the resulting energy and water modeling documentation and a narrative explaining how these services informed decisions about the project's design, construction, and post occupancy monitoring must be attached to the Evergreen Project Implementation Plan as outlined in Section 3.5.

Resources for multifamily energy modeling…

Rehabilitation
Two points will be awarded for rehabilitation projects that conduct a pre-development energy audit of the existing building(s). The minimum standard for the audit is the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE) Level 2 (or equivalent) and must be completed by a qualified energy auditor. ASHRAE audits should include air leakage testing.

The final report needs to be submitted with the application either as a stand-alone document or a separate section of the Capital Needs Assessment.

Resources for multifamily energy auditing…

Utility Allowances
Please note that points for alternate utility allowances (UA) have been removed starting with the 2021 4% Bond / Tax Credit Program Policies. However, applicants are still welcome to submit an alternate UA based on Method 8 from Appendix O of the Tax Credit Compliance Manual.

If the project is planning to use Method 8, a Commission approved energy modeling consultant must submit a UA modeling plan in Tab 11 of the tax credit application. Because the final energy consumption model UA schedule will not be available, the local PHA Section 8 UA can be used to complete Section 8 of the application.

*Any LIHTC projects layered with Project-Based Section 8 or which are otherwise restricted by HUD or RD **cannot** use alternate UA schedules. Those projects must use the applicable PHA Section 8 UA schedule or other HUD or RD approved utility allowance schedule.

10 Topic: Additional Procedural/Language Changes

Additional Procedural Changes:
- Maintain 2 applications per sponsor limit
- Require application fee each round

Additional Language:
- Intro to Chapter 4 – add paragraph on interpretation of policies and policy process