



WASHINGTON STATE
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Interested Parties Information Session: 2026 Bond/Tax Credit Allocation Round

December 17, 2025

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Agenda



Context



2026 Bond Allocation Process & Timeline



RFI Results Overview



Questions

Context: Transition Moment



Shifting investor
appetite

Delays in project
closings

Growing need for
preservation support

Federal policy changes

Context: Approved Updated Policies - Federal Changes



Updates Sections 2.3, 3.17 and 3.30.2 to reflect the “25% Test” threshold to qualify for 4% Tax Credits

Maintains cushion expects bond requests of no more than 30% of aggregate basis; allows flexibility up to 40% based on Commission’s evaluation of the project’s permanent debt sizing, under 2 criteria:

1) Project can support financially permanent debt that supports the larger allocation

2) The project is unable to obtain recycle bonds

Provides flexibility on how the Commission may use recycled bonds intentionally to be responsive to the federal changes

Context: Bond Tax Credit Program Guidance



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25% Test: context
and support for
applicants

Underwriting:
mirrors 9% Program
Guidance

Community Based
Organizations:
provides examples
and clarifying
process expectations

Energy: clarifies
requirements and
expectations

Preservation:
highlights sections
of the policies that
support this activity

[Bond/4% Tax Credit
Program Policy
Guidance](#) – 2026
Allocation Cycle

How Bond Sizing Works: The Changing Mechanics

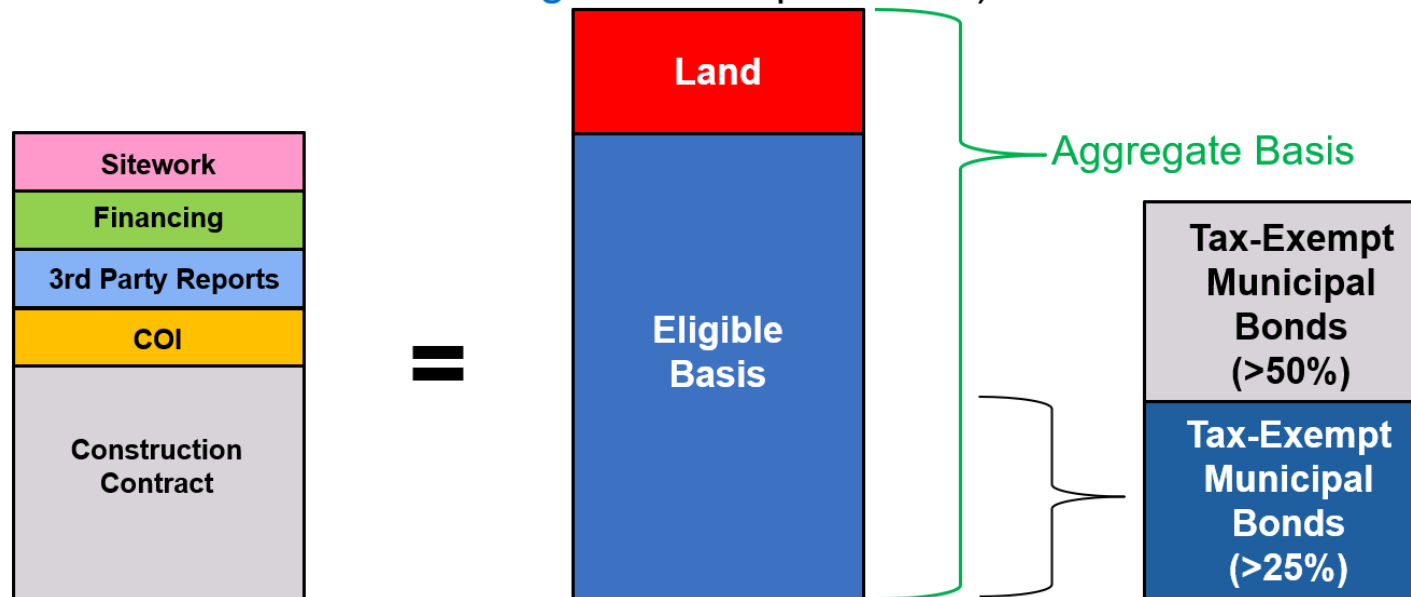


- Currently Bond Cap awards are hard-capped at 55% of aggregate basis (50% + a 10% buffer).
- Under the new 25% test, Bond Cap awards will be calculated using a two-step process:
 - 30% of aggregate basis plus land (25% + a 20% buffer)
 - Permanent debt amount (up to 40% aggregate basis)
- Some projects will need to take on taxable debt on a short-term basis, for a portion of their construction financing, that would have been tax-exempt under the 50% Test.



25% / 50% Test

To qualify for 4% tax credits, the project must utilize Private Activity Bonds greater than **25%** (if the deal is closing on or after January 1, 2026) or **50%** (if the deal is closing prior to January 1, 2026) of **Aggregate Basis** (which equals **Eligible Basis** plus **Land**)



Ex: If a project has \$20mm in **Aggregate Basis**, the borrower should request greater than \$5mm in tax-exempt municipal bonds if closing on or after January 1, 2026, or \$10mm if closing prior to January 1, 2026

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Recycled Tax-Exempt Bonds



- Generated from bond prepayments, mostly from loans converting from construction phase to permanent phase.
- Do not bring 4% LIHTC.
- Time Constrained - new financing must occur within 6 months of recycling.
- Availability of recycled bonds is variable and difficult to predict.

Recycled Bonds have been prioritized for production, with the new 25% Test we anticipate more demand for Recycle Bonds for projects that can support permanent debt above the 30% level.

We need to balance demand, availability and timing constraints to maximize the resource.

Opportunity: 2026 Bond/Tax Credit Allocation Round



25% Test = expands
resources

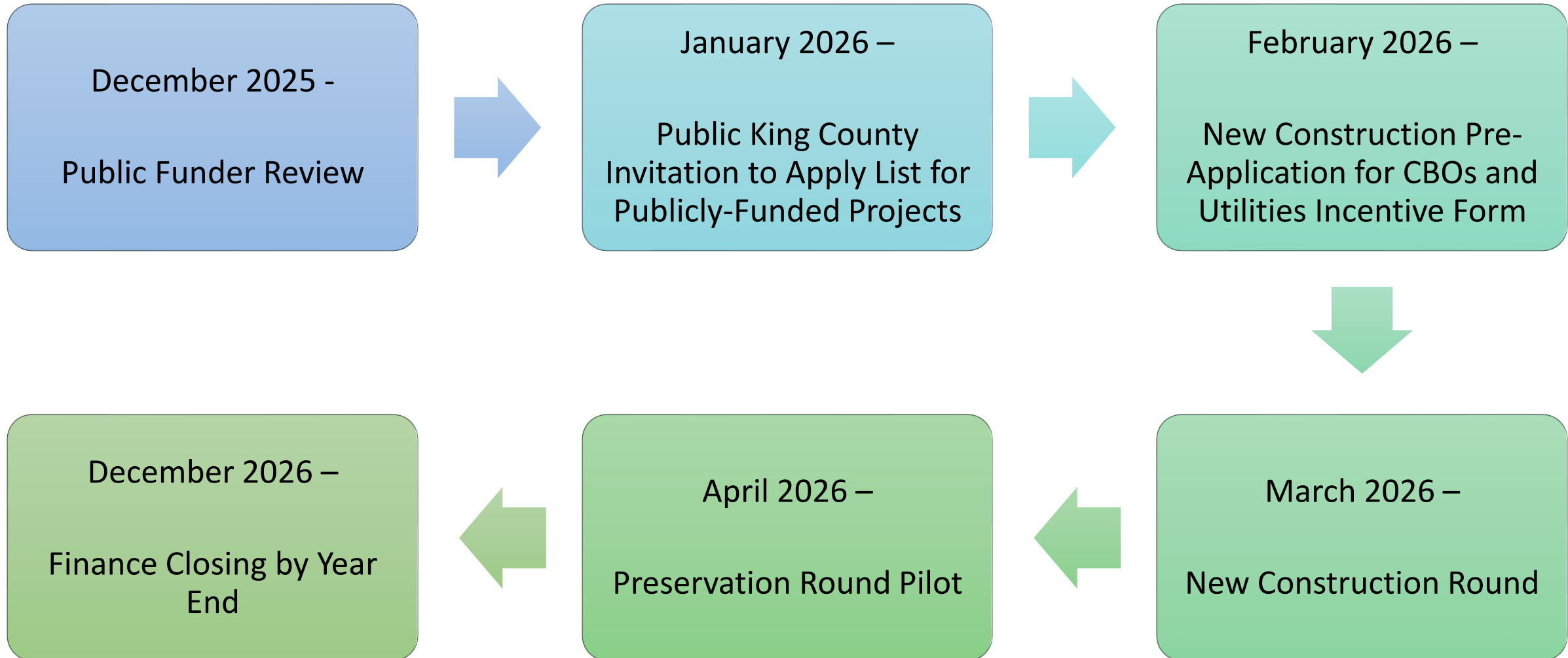
Test allocating resources
in two tracks:

Preservation RFI shows
near-term project
pipeline demand.

1) New Construction

2) Preservation =
Acquisition/Rehab
(non-Commission
portfolio projects) and
Portfolio projects
(projects with an active
Commission regulatory
agreement)

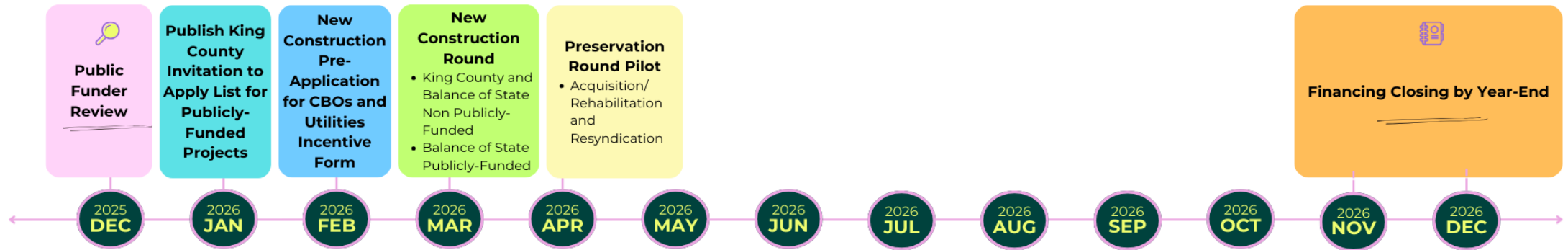
2026 Bond Cap Allocation and Project Application Timeline



Graphic Timeline



2026 Bond Cap Allocation and Project Application Timeline



2026 Bond Cap Allocation and Project Application Timeline

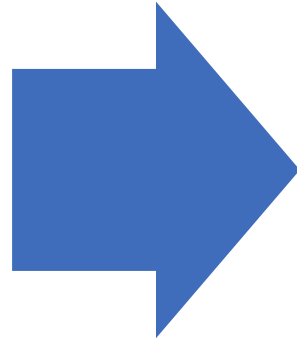


**Public Funder
Review**
(December 2025)

2026 Bond Cap Allocation and Project Application Timeline



**Publish King County
Invitation to Apply
List for Publicly-
Funded Projects
(January 2026)**

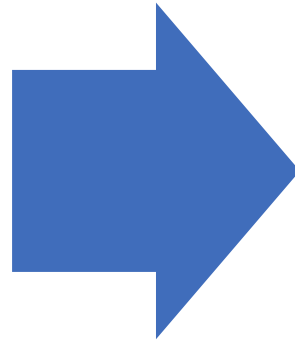


Following award
announcements from the
public funders, WSHFC
plans to publish the 2026
Invitation to Apply list for
publicly-funded King
County projects

2026 Bond Cap Allocation and Project Application Timeline



**New Construction Pre-
Application for CBOs
and Utilities Incentive
Form**
(February 2026)

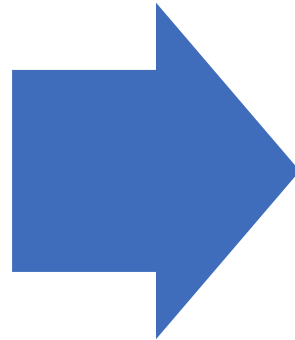


WSHFC will
start accepting new
construction pre-
application for CBOs and
Utilities Incentive Form

2026 Bond Cap Allocation and Project Application Timeline



**New Construction
Round**
(March 2026)

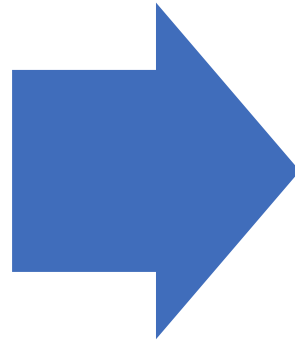


Applications due for new construction projects by March 2026, including projects that are not publicly funded in King County, as well as both publicly and non–publicly funded Balance of State projects

2026 Bond Cap Allocation and Project Application Timeline



**Preservation Round
Pilot**
(April 2026)



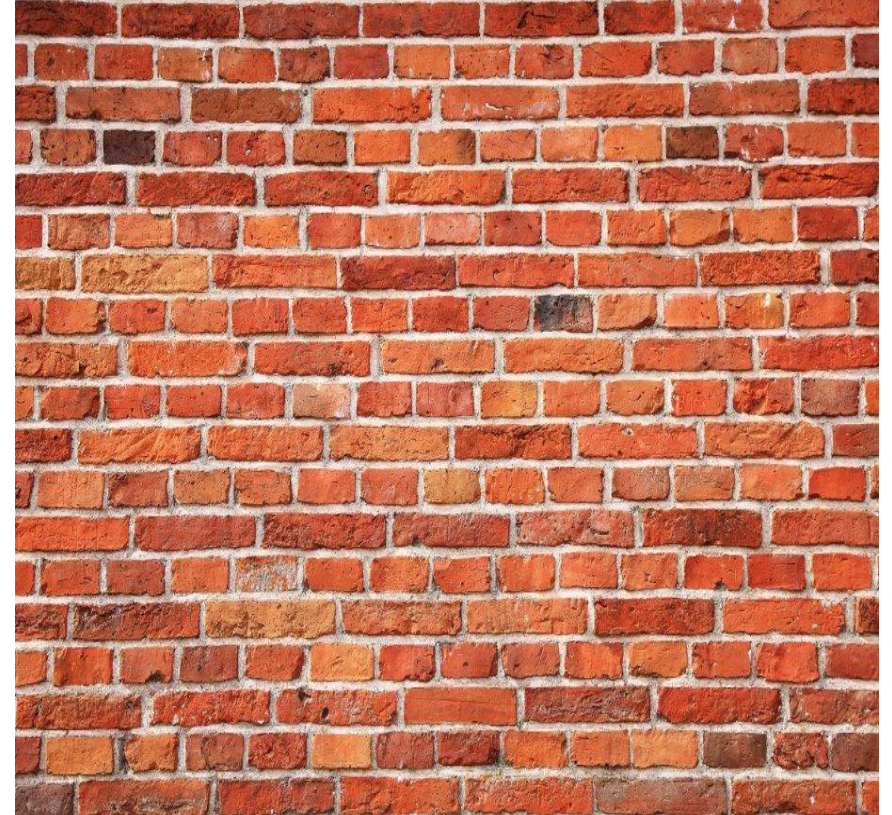
Preservation will be separate from the new construction application process.

This revised application process is to establish clear categories for acquisition/rehabilitation and re-syndications and to set realistic expectations for closing timelines

2026 Bond Cap Allocation and Project Application Timeline



**Financing Closing by
Year-End**
(November 2026 –
December 2026)



RFI Results: Overview

The RFI received 39 unique responses

- Responses were requested from our programs' biggest users – for-profits, non-profits (including PSH providers), and housing authorities
- About half of these responses came from developers with pipelines in King County.

Project Pipelines

- Respondents identified about 90 Acq/Rehab projects, 240 Preservation projects
- Large volume of Preservation projects in King County pipeline

Acq/Rehab				
Geography	Near-term	Mid-term	Long-term	Total
Balance-of-State	11	12	19	42
King County	13	15	19	47

Preservation				
Geography	Near-term	Mid-term	Long-term	Total
Balance-of-State	7	27	43	77
King County	38	56	70	164

RFI Results: Resource Demand



Respondents were asked to estimate the funding resource needs of their pipeline, if known.

- Acq/Rehab: estimates provided for **9% of projects**.
- Preservation: estimates provided for **59% of projects**.
 - Estimates were provided for ~90% of near-term projects, ~65% of mid-term projects

Preservation				
	Near-term	Mid-term	Long-term	Total
Project Pipeline	45	83	113	241
Avg Resource Need	\$6,727,000	\$6,962,500	\$3,448,000	\$17,137,500
Est Total Need	\$302,715,000	\$577,887,500	\$389,624,000	\$1,270,226,500

RFI Results: Problems to Address



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Respondents were asked to identify the most important problems that they need to address at their Acq/Rehab or Preservation projects.

The two most common selections were:

1. Addressing Capital Needs
 2. Improving Energy Efficiency/Sustainability
- Cash Flow and Expiring Reg Agreements were selected by <50% of respondents
 - Most popular 'Other' response was Insurance.

Respondents were asked to identify which of the Commission's funding programs they plan to use for these projects.

- *Bond/Tax Credit* and *9% Tax Credit* programs were the most popular, as expected.
- Notably, interest levels in the Commission's existing funding programs was consistently lower among preservation responses.
- Preservation respondents were also more likely to select *Other* or *Not Sure*, further supporting a preservation-specific funding track.

Additional Research & Considerations



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- Evaluating risk:
 - Conversion to market
 - Loss due to physical or financial distress
 - Expiring subsidy contracts
-
- Looking at other state HFA models: using a risk/choice matrix to evaluate project
- Streamline application – looking for examples!

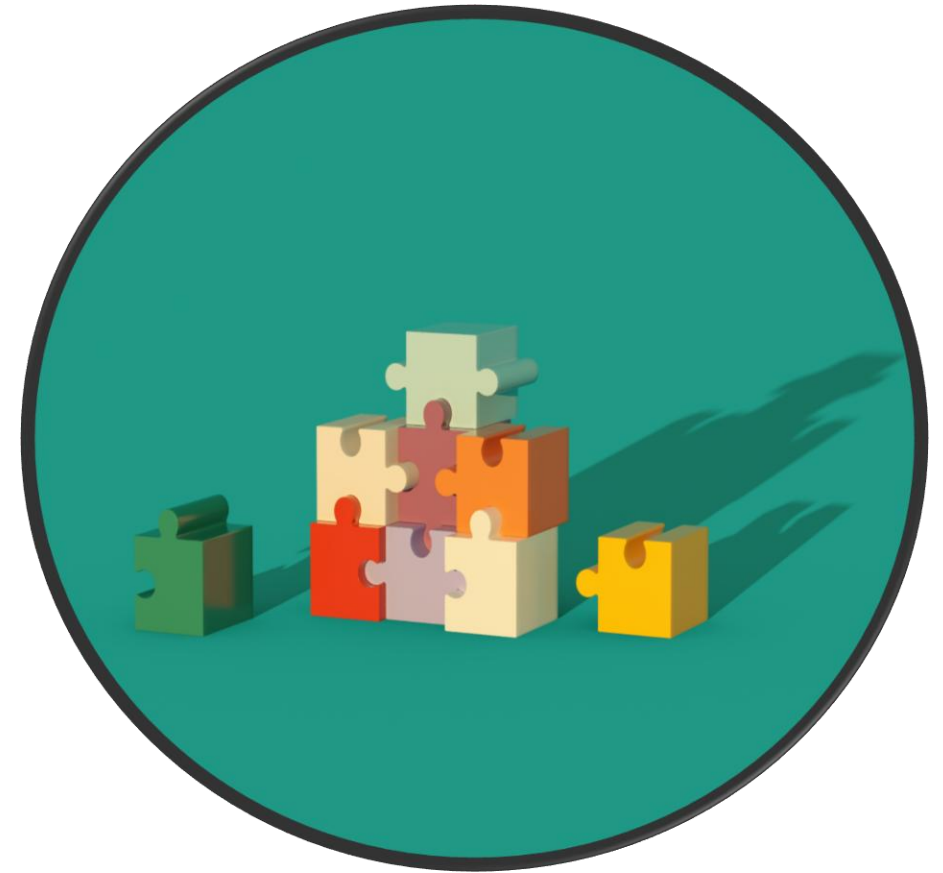




Preservation Pilot Policies Pieces and Next Steps

Key Milestones:

- Compiling learnings, RFI follow up & drafting Framework- **December-January**
- Planning interested parties meeting(s) focused on the Pilot Preservation Round – **February**
 - Sharing expectations on policy and application for feedback
- Commission Board approval – **March 23, 2026**
- Preservation Pilot Round launch – **April 2026**





Thank you!

Questions?