WASHINGTON STATE
HOUSING FINANCE
COMMISSION

Opening doors to a better life

New Values and New Results:

About the 2022 Allocation List of the Bond/Credit Program

In 2021, the Commission embarked on an entirely new set of policies and scoring criteria for the increasingly competitive bond/tax credit program.

The 2022 round in which we implemented these changes was again intensely oversubscribed, with twice as many applications as could be financed with available bond cap. This means that much-needed shovel-ready housing projects across our state are continuing to go unfunded because of the lack of federal resources—a matter for continued advocacy.

But the competition also successfully showed that even in an ultra-competitive resource environment, asserting a new set of values, with scoring criteria aligned, will drive new results.

The Big Picture: Outcomes Achieved

- **BIPOC and community involvement:** The new point system succeeded in its intention to elevate projects by developers who are Black, indigenous or people of color (BIPOC). In addition, almost every project includes a meaningful partnership with a community-based organization representing either a geographical or identity-based community.
- **Geographic reach:** Four of the five projects from outside King and Snohomish counties were funded, and the fifth is at the top of our waiting list. By contrast, only a third of projects within King County were funded.
- **Public investments leveraged:** Aligning and coordinating our allocations with other public funders is important to make the most of public dollars for affordable housing. Our allocations leveraged $23 million from the Washington State Housing Trust Fund invested in five projects; only one project with HTF investment was not allocated, and we are working on alternative financing through other Commission resources. In addition, the projects we allocated brought $37 million in local funds, as well as federal HUD 202 funds.
- **Cost efficiency:** Most of the projects that received an allocation earned points for cost efficiency, with half of them receiving all possible points for cost efficiency. This shows that developers are able to meet multiple program priorities without sacrificing cost efficiency.
- **Both for-profits and nonprofits are strong competitors:** The round was evenly split between for-profit and nonprofit developers. For-profits showed that they are willing and able to share resources and control with community-based organizations in order to remain competitive; while nonprofits who are community-based organizations were prioritized for their expertise and community ties.

A Note on the 2022 Waiting List

As in past years, bond cap that is currently assigned to other uses in our state may be redistributed to housing in July if it goes unused. Also, it is possible that projects on the current allocation list may be delayed or even fall out. (An allocation of bond cap does not automatically mean a project is financially prepared to move forward, as many financing elements must come together at the same time.) Because of these factors, additional or different projects may receive an allocation later in 2022. Again, the Commission's funding decisions will be guided by balancing and achieving the targets outlined in our 2022 bond/tax credit policy. Two projects on the waiting list have been highlighted as the potential "next up" based on this policy.

In Depth: Policy Changes and Results

Summary of Key Policy Changes for 2022

- Prioritizing projects by developers who are Black, indigenous or people of color (BIPOC)
- Incentivizing projects that are "by and for communities," especially those that demonstrate meaningful partnerships with community-based organizations
- Ensuring that resources reached projects in the "balance of state" outside King and Snohomish County
- Balancing new production of housing with the need to preserve existing affordable housing
- Allowing projects with other public funding (from state or local sources) to access the LIHTC program, but keeping a balance between these and non-publicly funded projects.

By and For Community

The Commission's most impactful shift in point criteria was to incentivize projects that could demonstrate that they are "by and/or for" their community—specific low-income communities most impacted by housing disparities. These could include both identity-based communities and communities centered around a geographic place such as a neighborhood.

The policy specifically awards extra points to projects that significantly involve community-based organizations (CBOs) with a demonstrated ability to meaningfully represent one or more communities most impacted by housing disparities.

More points are awarded for greater ownership or involvement of the CBO—with the most points for projects that are owned long-term by a CBO. Fewer points can be earned if the CBO is a part owner or the development entity; has the first right to purchase the property after 15 years; benefits financially from the partnership; or is involved with the project in one of several other ways.

The Commission's new policy also awards points for meaningfully engaging the community in the development of the project. The more engagement that results in community input that is incorporated into the project, the more points can be earned.

2022 Results:

The results clearly showed that this point incentive was effective. Of the 10 projects on the main allocation list, four were developed by a community-based organization. Another five have a meaningful partnership with a community-based organization. The remaining funded project did not partner with a

CBO; it received an allocation because it met the threshold for its category without the CBO points. But on the list of projects not funded in this round, about half did not have a CBO relationship. These points make a difference and are thus shaping the projects as intended.

Overcoming Historic and Systemic Barriers for BIPOC Developers

In 2022, for the first time, the Commission awarded points for projects that could demonstrate greater ownership or role of those who are Black, Indigenous, or People of Color (BIPOC) people. For-profits could earn eight points if more than 50% of the ownership identifies as BIPOC, six points if BIPOC entity receives more than 40% of the developer fee and has a significant role in decision-making for the development. Nonprofits could earn three points if the executive director was BIPOC; five more points if more than 50% of the board of directors were BIPOC.

Because of known barriers to financing multifamily developments from tax credit investors and lenders, the Commission anticipated that projects entirely owned by BIPOC developers might be difficult to achieve in the first round.

2022 Results:

On the allocation list, three developers earned the full 8 points in this category: InterIm CDA, First A.M.E. Housing and El Centro de la Raza. An additional two developers earned partial points by having a majority BIPOC board: Mercy Housing and Korean Women's Association. Two projects on the allocation list and one on the priority waitlist have partnerships between experienced developers and less experienced BIPOC organizations with a majority ownership stake: DH&G, DevCo and Veterans Village. All three of these BIPOC organizations are building their capacity to develop affordable housing on their own in the future.

Balancing New vs. Preservation, Geography, Public Funding

In addition to overhauling the point system and adding new criteria, the Commission also seeks to balance three important public priorities. These are:

- Ensuring funding to preserve existing affordable housing, as well as building new housing.
- Ensuring that resources reach the "balance of state" outside Seattle/King/Snohomish
- Ensuring that projects with public funding from state or local sources have access to the LIHTC program, as most public funding cannot build housing without it.

To create this balance, the Commission set targets for distributing our allocation across these three priorities. Projects were then divided into eight lists as shown below.

2022 Results:

As shown below, we were very close to our intended targets. While slightly under our "balance of state" target and slightly over on public leverage, if the additional two projects are included (as they are likely to be later this year), we will be closer still. The percentages shown below represent the percentage of $249,261,103, the bond cap available to allocate in 2022.

	Target*	Applications	**Allocation List**	**Allocation List + Waiting List**
Preservation	15-25%	45%	**22%**	**17%**
Outside King/Snohomish	40%	49%	**33%**	**38%**
Public Leverage	50-60%	170%	**81%**	**63%**

* Note that projects may fall into several categories, thus the targets do not add up to 100%.

In order to align our funding decisions with our three targeted priorities, we divided the funding requests into eight lists or "buckets" based on the kind of production (new housing or preservation of existing housing), public leverage (yes or no), and area of state (King/Snohomish or balance of state):

			Applications Received	**Applications Allocated**
New Production	List 1	New/Public Leverage/King and SnoCo	9	**3**
	List 2	New/Public Leverage/Balance of State	3	**3**
	List 3	New/No Public Leverage/King and SnoCo	2	**1** *(1*)*
	List 4	New/No Public Leverage/Balance of State	1	*(1*)*
Preservation	List 5	Preservation/ Public Leverage/King and SnoCo	3	**1**
	List 6	Preservation/ Public Leverage/Balance of State	1	**1**
	List 7	Preservation/ No Public Leverage/King and SnoCo	2	**1**
	List 8	Preservation/ No Public Leverage/Balance of State	0	0

*These projects are at the top of the waiting list for additional bond cap anticipated later in 2022.