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# 9% Tax Credit Program Policy Guidance – 2026 Allocation Cycle

This Guidance is intended to clarify intent, address discrepancies and provide examples as support. This document is supplemental to the Program Policies and should be read along with the policies.

## Contents

# General Guidance

## 2025 Tax Bill

The 119th Congress passed, and President Trump signed into law H.R.1[1], which under Section 70422 permanently increases amount of the 9% tax credits allocated to each state by 12% starting in 2026. This federal action increases the amount of resources to be allocated and does not result in a policy change at this time.

As a result of the increased resources, the Commission has adjusted the following credit limits: per low-income housing unit, per applicant, and per project. Applicants should refer to Exhibit C (posted on our application webpage under Other Resources) for the current limits.

# Underwriting Guidance: General Assumptions and Feasibility Considerations for PSH

## General Assumptions

The Commission acknowledges that market conditions are dynamic and have an impact on affordable housing development and preservation efforts. The Commission continues to monitor and evaluate the current landscape in alignment with our values to effectively use and align our limited resources to serve the affordable housing needs of residents across the state that is safe, affordable and sustainable. The Commission reserves the right to strategically prioritize resources to projects that are responsive to current and emerging sub-market conditions, to ensure proposed rents for income set-asides are well below market and the unit bedroom size is appropriately filling a needed demand in the projects market area. See Section 4.8 Market Study -WAC 262-01-130 (2)(c) for market study requirements.

The Commission, in collaboration with other public funders, is lifting up shared underwriting benchmarks that all applicants should consider when preparing their applications:

[1] Text - H.R.1 - 119th Congress (2025-2026): One Big Beautiful Bill Act | Congress.gov | Library of Congress

## Maximum Rents

- Projects should show that **maximum affordable rents are at least 10% below the local market rents**, with a typical target of **10-20% below**. The revised Combined Funders Application (CFA) will flag if affordable rents are less than 10% of market rents.
- Rent comparisons should be **site specific**, based on appropriate **unit type, size, amenities, and concessions**—not regional averages or generalized assumptions.
- Sponsors are expected to understand their market and sub-market, including what rents are realistically achievable and what concessions are being offered nearby.

## Credit Pricing Assumptions

Applications should reflect equity pricing assumptions that are grounded in **current market conditions and specific to the project**. The Commission acknowledges that tax credit pricing is fluid and influenced by multiple external factors—including investor demand, interest rates, and overall market dynamics—and that pricing can shift meaningfully between application submission and allocation.

Rather than prescribing a fixed pricing range, the Commission expects applicants to provide assumptions that are reasonable and well-supported. If an applicant assumes a relatively high credit price, the application must include clear justification—typically in the form of a detailed Letter of Intent (LOI) from an investor.

To be considered sufficient, the LOI should include:

- Estimated pricing of the tax credits
- Identification of other sources of financing and estimated amounts
- The number of units, income-set asides, and any special populations served
- A brief statement of the investor's relationship with the developer and/or prior experience with WSHFC

This guidance is not intended to limit flexibility but to promote transparency, feasibility, and consistency across applications. We encourage applicants to contact Commission staff early to discuss unusual assumptions or funding challenges. For additional context on widely accepted standards, applicants may also wish to review the **Affordable Housing Investors Council's (AHIC) Underwriting Best Practices**, available at https://www.ahic.org/underwriting_best_practices.php.

## Permanent Supportive Housing Feasibility

The Commission remains committed to supporting Permanent Supportive Housing (PSH) through the 9% program and continues to prioritize these projects within our scoring framework. However, we also recognize growing feasibility challenges across the field—particularly around funding for operations, maintenance, and rental assistance.

We have heard from partners and public funders that these essential supports are increasingly limited. As such, while there are **no changes to the scoring criteria or point allocations for PSH**, applicants should be mindful that PSH projects without sufficient long-term operating subsidies may not meet Commission underwriting expectations for feasibility.

Applicants should note:

- **Projects must demonstrate financial viability**. As outlined in Section 5.9 of the 9% Tax Credit Policies, sponsors of housing for persons with special needs must show that:
  > *"sufficient operating and supportive services funding is available to support the population to be served. Projects must include funding commitments or reasonable assumptions for services."*
- Projects with secured funding for services, operations, and rental assistance will continue to score competitively and align with program priorities. However, other projects may rise to the top of the scoring pool if PSH proposals cannot demonstrate viability this cycle.

# Preservation Guidance

The Commission strives to balance the needs for both new construction and preservation projects, in alignment with our values to **Meet Affordable Housing Needs Everywhere** and **Ensure High-Quality and Affordable Housing for Residents in the Long Term**. While the broader funding system has historically emphasized new construction, preservation remains a vital strategy for protecting Washington's affordable housing stock.

Although there are no changes for this year's 9% Tax Credit cycle, the Commission is actively engaged in developing a long-term preservation strategy. In the meantime, the following guidance highlights existing policy pathways available to support preservation through the 9% program.

## Preservation in Current 9% Policies

Preservation projects are addressed in the 9% Tax Credit Policies under the broader category of **Rehabilitation Projects** (see **Section 4.17: Requirements for Rehabilitation Projects**).

The term **Preservation and Recapitalization** refers specifically to preservation-focused rehabilitation efforts involving the **acquisition and renovation of existing use-restricted housing**. This type of project is treated as a subcategory of **Rehabilitation Projects**.

*Eligibility Requirements*

- The project must have been in operation for **at least 20 years**, measured from the date of the original Certificate of Occupancy or from the most recent substantial rehabilitation.
- The proposed rehabilitation must extend the useful life of the property and maintain affordability for **at least another 20 years**.

## Limitations by Pool

- In the **Metro** and **Non-Metro** geographic pools, preservation projects compete with new construction. No more than **25% of each pool's total credit allocation** may be awarded to preservation projects
- The Commission actively manages this cap to preserve flexibility and may forward commit resources when necessary to support its program values
- In **King County**, preservation projects also compete with new construction but **are not subject to a specific percentage limitation**. All **Minimum Threshold Requirements** still apply.

## Program Restrictions

- Projects originally financed using **Tax-Exempt Bonds and 4% Credits** are **not eligible** for 9% Tax Credit resources unless explicitly approved by the Commission.

*Scoring Considerations: Projects at Risk of Market Conversion*

Projects may earn points under **Section 6.9: Properties at Risk of Loss Due to Market Conversion** if they demonstrate imminent risk of being lost from the state's affordable housing portfolio. To qualify, projects must meet **at least one** of the following criteria:

- Expiring use restrictions that may lead to market-rate conversion;
- Status as a **federally assisted property** facing market pressure and potential resident displacement;
- Documented **significant and immediate capital needs** that threaten long-term viability.

Only projects that meet the eligibility requirements listed in Section 6.9 may be considered "At Risk" for purposes of scoring.

*Pre-Application Meeting Requirements*

- For projects located in **Metro** or **Non-Metro pools**, a **pre-application meeting with Commission staff is required** before applying to the 9% Program.
- For projects in **King County**, a pre-application meeting is **strongly encouraged**.

These meetings help ensure a shared understanding of the project's goals and facilitate a discussion around the most appropriate financing path.