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HOUSING FINANCE
COMMISSION

Opening doors to a better life

Good Standing Policy Updates and Asset Management Initiative

Interested Parties Meeting August 20,2026

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Agenda

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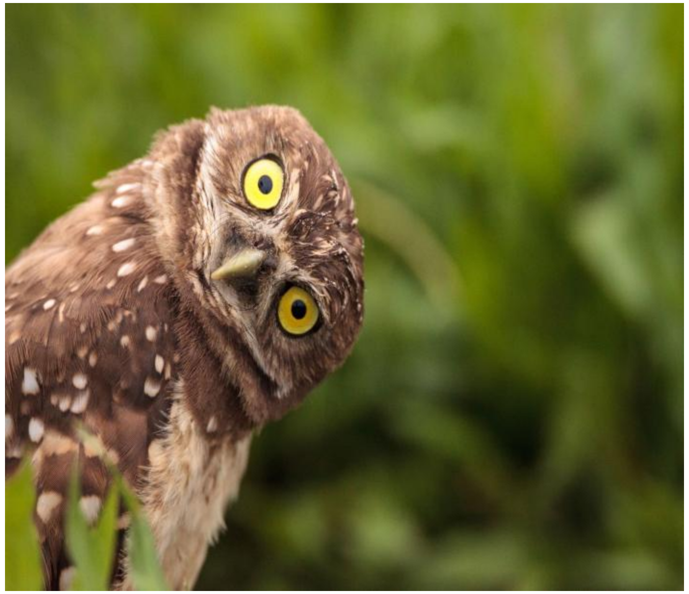
- Welcome and Introductions
- Overview of Approach and Background
- Good Standing Policy
- Integration of Asset Management Initiative
- Example Scenarios
- Next Steps
- Questions

Expectations for Today



Presentation: Providing information

Questions: We want to hear your questions, where we need to provide clarification.

Feel free to put questions in the chat as we go along and we'll make sure to get to them!

Overview of Approach: Why?

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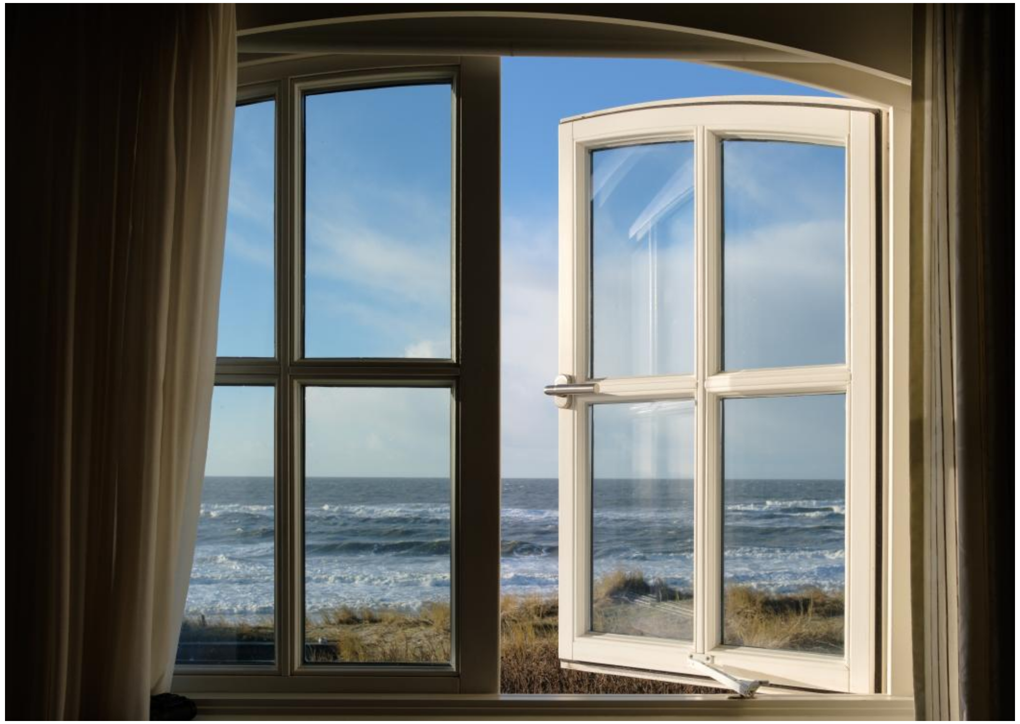
- Transparency and Accountability
  - Maintain solution oriented and supportive working relationship with partners
  - Be clear with partners what is good standing
  - What happens when a partner is not in good standing
  - Increase information flow and create regular intentional cross-divisional feedback loop – MCHF/AMC
  - Leverage the allocation process to influence sponsor behavior



Overview: Three Components

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Good Standing

Eligibility to apply for and receive allocations

Developer / Property Management Capacity

Experience, staffing, and pipeline to deliver and operate

Asset Management Initiative

Integrated Compliance monitoring with Performance and Risk assessments across the portfolio

Background: Available Tools

Washington State Housing Finance Commission

Most severe

Least severe

Debarment

Formally barred from participating in the Commission's programs (WAC 262-03-040)

Not in Good Standing

Eligibility status: not in good standing (legal issues / serious adverse events) means a sponsor cannot apply for or receive allocations until resolution

Capacity / Performance Risk

AMC risk ratings and monitoring: high risk does not automatically mean not in good standing; may trigger corrective action or elevated monitoring

Background: Terminology

Term	Meaning	Impact
Good Standing	Sponsor has no legal or serious adverse events	Eligible to apply for and receive new allocations
Not in Good Standing	Sponsor has legal issues and/or serious adverse events	Unable to apply for or receive a new allocation
Developer/Sponsor Capacity	Combines AMC's performance review and "risk level", and MHCF Development Team Capacity review of experience, and pipeline to determine eligibility for resources	If sponsor is high risk by AMC and/or MHCF deems sponsor undercapacity may not pass threshold review and/or maybe subject to monitoring

Work to Date

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- Research of peer HFA practices
- Review of statute and current policy
- Drafting of policy options for internal team review and feedback
- Reviewed by Commission legal team

Good Standing Policy

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Current Policy for Reference

Project Sponsor: The Project Sponsor must be in good standing with all Commission programs and policies.

Why: To ensure good stewardship of housing resources, maintain accountability and sustainability for the public's benefit.

Goal: Expand on current policy to be clear and transparent about expectations of Project Sponsors to be considered in Good Standing and what happens if they are not. Note: Intersects with Asset Management framework and Development Team Capacity policy.

Peer HFA Scan

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States Researched: Minnesota, New Mexico, Colorado, California, Oregon, Wisconsin, Arizona, Georgia

State Meetings: New Mexico, Minnesota

Documents Reviewed:

Qualified Allocation Plans

Compliance manuals and policy documents

Regulatory guidance and asset management frameworks

Lessons Learned from Peer HFAs

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- Process requires a strong feedback loop between MHCF and AMC
- Good Standing vs Watchlist and Developer/Sponsor Capacity
- Developer/Sponsor Capacity requires standardized evaluation “red flag” performance metrics
- Final decisions are reviewed conditionally by division leadership

Peer HFA Examples

Tier A (Baseline/Eligible): Developer team has no major adverse events in past 3 years; meets capacity, compliance and financial solvency thresholds.

Tier B (Watchlist/Conditional Eligibility): Developer team has one or more "adverse circumstances" (e.g., patterns of minor noncompliance or delays) in past 3 years.

Tier C (Not in Good Standing / Ineligible): Developer team has one or more "significant adverse events" (fraud, insolvency, uncured major noncompliance) → Not eligible for new awards until cleared.

*Based off Georgia Housing model

Draft Components of Good Standing Policy

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- ✓ No outstanding legal judgments or litigation involving the Commission, State or Federal government
- ✓ Working in good faith to address any State or Federal Compliance issues
- ✓ Sponsor has upheld their project commitments
- ✓ Has not had any Significant Adverse Events, such as
  - Noncompliance that cannot be cured
  - Program fraud/misrepresentation with convictions or adverse judgment
  - Criminal convictions related to the development, ownership, or management of affordable housing
  - Debarment or suspension from other state or agency

Development Team Capacity Policy
WAC 262-01-130(2)(g)

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The Project Sponsor must demonstrate the following:

- Has successfully completed a multifamily housing project of a comparable number of housing units, of a similar complexity, and for a similar target population as the proposed project
- Has the necessary level of staffing and financial capacity to successfully manage development and operations of the current project portfolio, including but not limited to, all current and pending tax credit projects and applications; and
- Has successfully completed previous Credit projects for which a Credit allocation was received in Washington or other states.

Update: MHCF will consult with the AMC Division and take into consideration AMC's annual compliance monitoring and portfolio risk assessment reviews

Asset Management Initiative

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Why: Identify emerging property risks earlier, support owners in addressing challenges, and improve data informed decision making for the long term sustainability of the affordable housing portfolio

Goal: Establish a consistent and transparent asset management framework that helps WSHFC and property owners identify areas of strength, emerging concerns, and where additional attention or support may be needed

Who: Asset Management and Compliance division will conduct the Annual Risk Assessments and facilitate ongoing risk mitigation with ownership. **Multifamily Housing and Community Facilities** will review risk assessment data as needed.

What We Learned from Peer HFAs

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Peer HFAs consistently emphasized early intervention, collaboration and clear consistent approach.

Early intervention matters. Asset management is most effective when emerging risks are identified before they become critical.

Risk status is not the same as compliance status. A property can warrant closer attention while remaining in good standing.

Consistency builds trust. Peer HFAs use standardized financial and operational indicators to support more predictable decision making.

Collaboration is central. Reviews are intended to support early conversations with owners and managers to strengthen property performance.

What this means for WSHFC? Our framework should be consistent, transparent and focused on early engagement so emerging issues can be identified early.

A Consistent Framework for Assessing Risk

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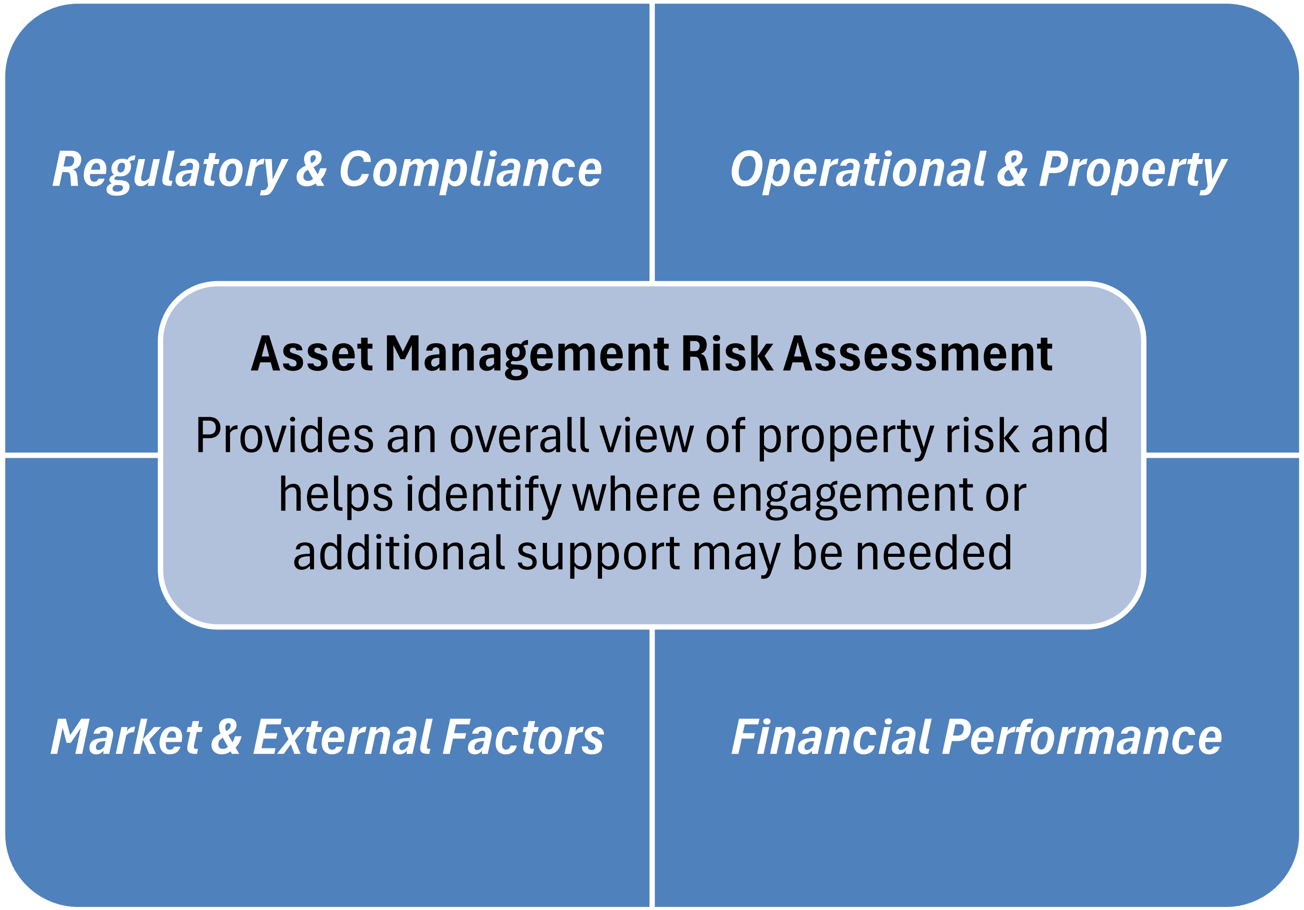
Asset Management Procedures

- Establish consistent approach for reviewing property performance and emerging risk
- Support earlier conversations with owners and operators
- Help preserve long-term property stability and resources

Four Main Risk Categories



Risk Assessment Data Inputs

We will primarily rely on information properties already submit to WSHFC.

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The risk assessment draws from three main sources of information.

1

Annual Compliance Materials

January

- Already required annually for all LIHTC properties
- Includes WBARS Tables 1 & 5 and inspection information

2

Income and Expense Reporting

June

- WBARS Table 4 Data
- 90% of properties submit this annually through WBARS Table 4

3

Other Relevant Information

Ongoing

- Concerns from other funders, HUD, Lenders, Investors
- Market changes

Asset Management Risk Assessment

Combines these inputs to provide an overall view of property risk and help identify where earlier engagement or support may be appropriate

☑ No new annual reporting requirements if property already submits WBARS Tables 1, 4 and 5

Risk Indicators Expanded: Example Indicators

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Examples illustrate the types of indicators that may be considered; this list is not exhaustive.

Compliance & Regulatory	**Significant uncorrected compliance findings** • Fair Housing Violations confirmed by HUD • Failure to pay commission fees • Failure to respond to review requests
Financial Performance	**Performance determined to be below portfolio review metrics** • Operating Income and Expense report analysis
Operational & Property Condition	**Operations that result in high level of resident outreach to enforcement agencies** • Uncorrected onsite physical inspection findings • Deferred maintenance or failing systems • Violations of health and safety or local code enforcement issues
Market & Environmental	**External factors outside of operator's control that impact cash flow and viability** • Demographic shift • Environmental hazards • Local legislation impacts

What Happens After The Risk Assessment?

Our intent is early engagement and risk mitigation- not loss of good standing.

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The level of follow-up depends on overall risk rating and the issues identified.

If the property is Low/Very Low Risk...

No additional action is generally required.

No separate notification unless follow up is needed.

Assessment results continue to inform WSHFC monitoring and decision making.

If additional attention is warranted...

Owner receives notification of the overall risk rating.

Notification identifies which risk categories were elevated.

Monitoring frequency will be based on the severity and type of risk identified.

Owner will be asked to submit risk mitigation plan within 60 days.

A medium or high-risk rating is intended to initiate collaboration and add a level of oversight appropriate to the issues the property is experiencing.

It does not mean the property is considered out of compliance or that the owner is not in good standing.

Example #1

Portfolio summary for a fictional organization with 15 properties

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Risk Assessment Summary for Portfolio

- **Compliance & Regulatory**: 9 out of 15 were issued uncorrected noncompliance
- **Financial:** 6 out of 15 have negative cash flow and cannot cover debts (DSCR <1)
  - 2 additional properties have a Debt Service Coverage Ratio of 1.1
- **Operations & Property:** 3 out of 15 had uncorrected inspection findings, 2 have local code violations that were reported to the commission.
- **Market & External Factors:** 2 properties are in a submarket where a multiple corporations have decided to close their headquarters in the area.
- **No serious adverse** events reported.

Ownership received notification of Medium/High Risk on 7 of their 15 properties.

Ownership Takes Action

- **Mitigation:** Submits mitigation plan for 7 properties
- **Elevated Monitoring:** AMC requests quarterly portfolio updates with any changes/updates

AMC Shares Risk Assessment Data

- **AMC shares data** for each property and organization summary with MHCF
- AMC reports **Owner is responsive, acting in good faith** & meeting elevated monitoring expectations

MHCF Review

- **MHCF reviews** risk assessment results for sponsor along with **efforts & progress** reported by AMC.
  - Organization ***remains in good standing.***
- Sponsor brings forward a **new deal**
- MHCF determines a **capacity is a concern** and may request additional information and/or meet with applicant to discuss

Example #2

Portfolio summary for a fictional organization with 15 properties

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Risk Assessment Summary for Portfolio

- **Compliance & Regulatory**: Only 1 property received uncorrected noncompliance, 3 received corrected noncompliance
- **Financial:** All properties are cash flowing, 4 properties have vacancy above 10%
- **Operations & Property:** All inspection findings were corrected, no issues

Ownership is deemed Low Risk

WSHFC receives notification of **Serious Adverse Event:** State opens investigation of potential fraud

Ownership Response

- **Owner responds to WSHFC and agrees to provide updates on litigation regularly**

AMC Shares Risk Assessment Data

- **AMC shares data** for each property and organization summary with MHCF
- **Owner is responsive and acting in good faith** to address litigation

MHCF Review

- **MHCF reviews** risk assessment results for sponsor
- Organization ***is not in good standing due to ongoing investigation and serious adverse event***
- Sponsor is notified that they must sit out from allocation round until they are deemed back in good standing

Next Steps

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August: Public Funders and Statewide Interested Parties meetings to share about policy and understand where clarification is needed.

September 2026: Seek Board approval for the updated Good Standing Policy and then publish updated policy

Fall 2026 - Fall 2027 (Allocations Processes): continue coordination with AMC on sponsor and portfolio performance to inform Developer Team Capacity for new allocations

September 2027: Launch enhanced WBARS Table 4 (Income & Expense) Report

2028: Begin initial property risk assessments for the whole portfolio

Fall 2028: Share initial assessment data and outcomes with MHCF

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Questions

What clarification do you need?

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