Novogradac

Calm in The Storm

Housing Washington

Monday, September 29, 2025

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Topics

- Fair Market Rents
- 2026 Income Limit Outlook
- Changes From OBBA
  - 25% Test
  - Bonus Depreciation
  - Solar Credits
- Tax Credit Pricing

Fair Market Rents

By the Numbers

2026 - National

- 84% of areas (68% of population) have an increase or flat
- 16% (32% of the population) have a decrease
- Average change 6.921%
- Weighted average increase 2.8%

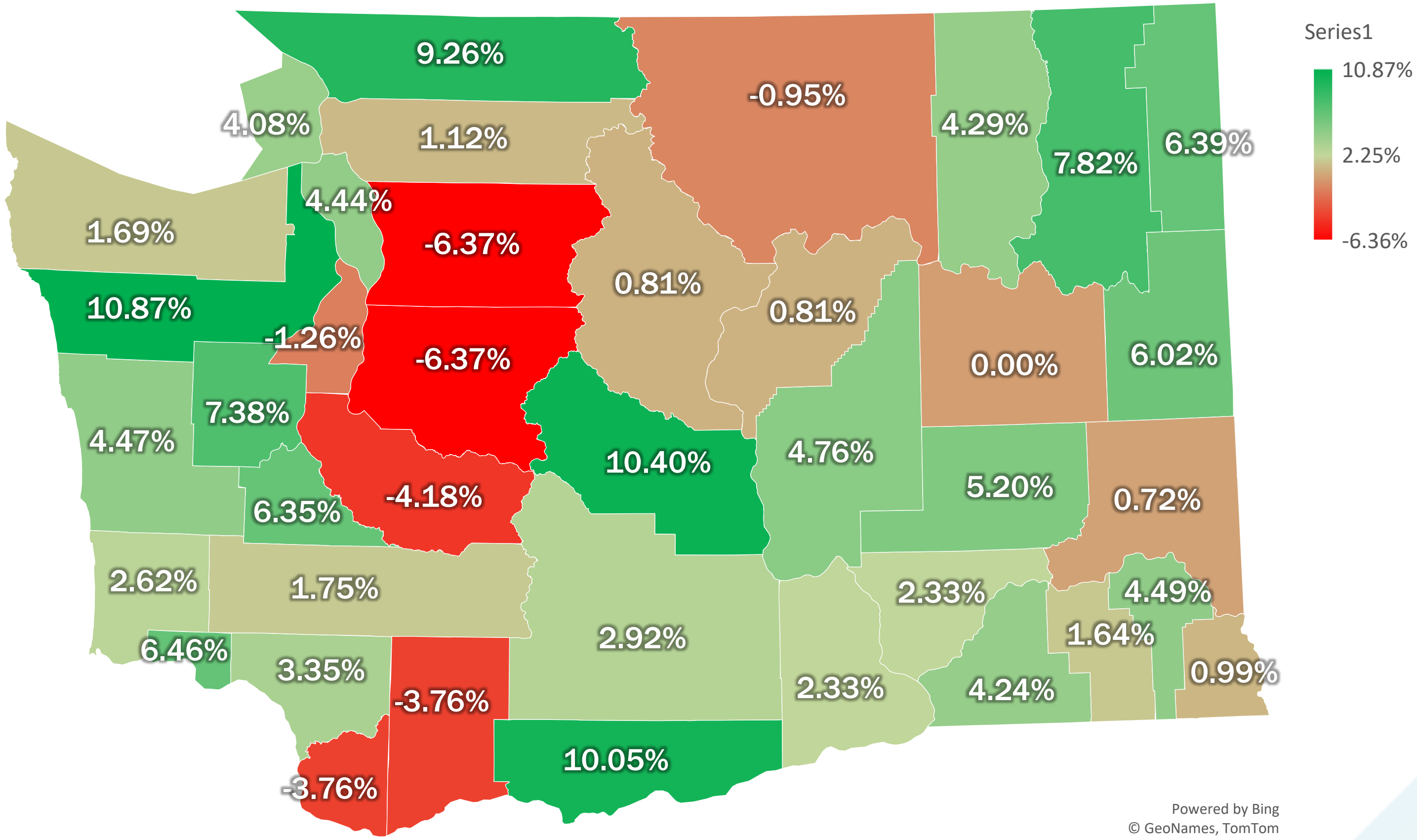
2026 - WA

- 82% of areas (37% of population) have an increase or flat
- 18% of areas (63% of population) have a decrease
- Average change 2.89%
- Weighted average (1.62)%

Change in 2-Bedroom FMR for Top 10 Largest WA Counties

Area	2026 2- Bedroom FMR	2025 2- Bedroom FMR	$ Change in FMR	% Change in FMR
King County, WA	2501	2671	(170)	-6%
Pierce County, WA	1971	2057	(86)	-4%
Snohomish County, WA	2501	2671	(170)	-6%
Spokane County, WA	1531	1444	87	6%
Clark County, WA	1922	1997	(75)	-4%
Thurston County, WA	1960	1843	117	6%
Kitsap County, WA	2031	2057	(26)	-1%
Yakima County, WA	1374	1335	39	3%
Whatcom County, WA	1794	1642	152	9%
Benton County, WA	1538	1503	35	2%

Change in 2-Bedroom FMR for WA Counties



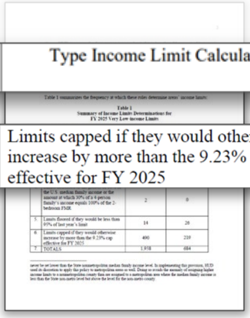
2026 Income Limit Outlook

2024 ACS Data

- Used for the 2026 AMI which drives 2026 VLI
- 1-Year ACS data released on 9/10
- 5-Year ACS data to be released in December
    - Areas without a valid 1-Year ACS will use 5-Year ACS
        - Typically, rural and smaller areas
        - 23 areas in WA use 1-Year
        - 16 areas in WA use 5-year
- 1-Year ACS change in National Median Income is used to calculate the cap in income limit increases

2026 Income Limit Cap on Increases

2025 Cap Information



	Type Income Limit Calculation	Non-metro Counties	Metropolitan Areas
6.	Limits capped if they would otherwise increase by more than the 9.23% cap effective for FY 2025	490	219

Methodology for Determining FY 2025 Section 8 Income Limits

709 of 2,642 = 26.8%

24.8% of population

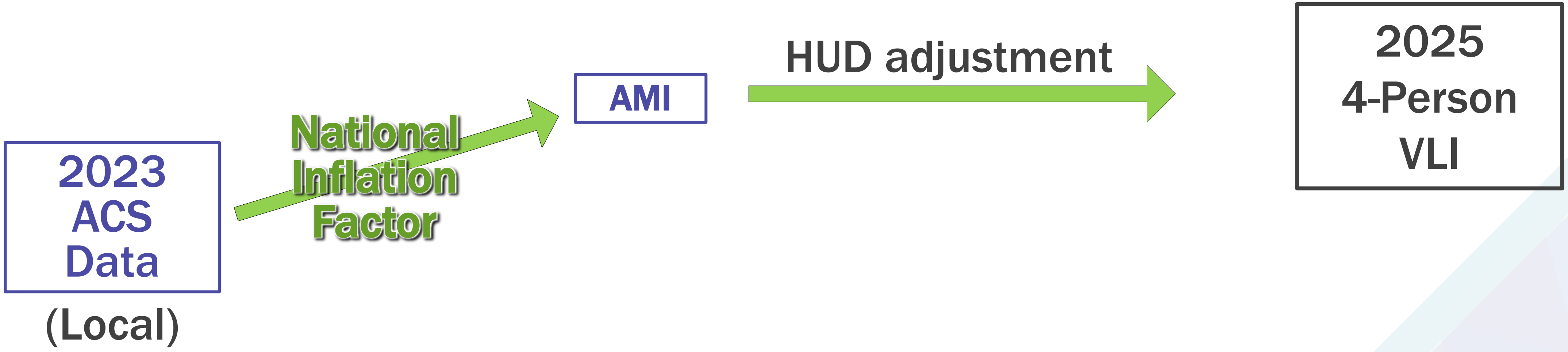
Cap was 9.23%

2026 Cap:

2023 ACS National Median Income	$96,401
2024 ACS National Median Income	$101,265
Change	5.046%
x	2
2 x Change in National Median Income	10.09%
Minimum Cap	5%
Maximum Cap	10%

10.00%

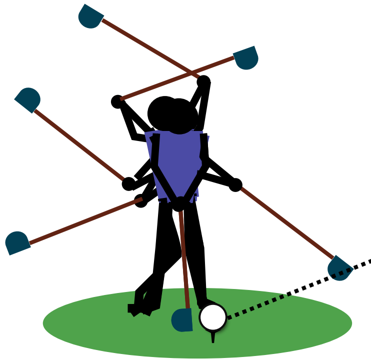
How we get local annual Very-Low Income (VLI) Limits



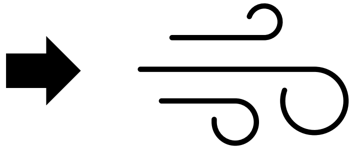
How we get local annual Very-Low Income (VLI) Limits

AMI

Club head speed ≈ ACS Data from 2 years prior



How far it travels ≈ **Local Current Year AMI**



WIND ≈ National Wage Inflation Factor

How we get local annual Very-Low Income (VLI) Limits

AMI

Club head speed ≈
ACS Data from
2 years prior

How far it travels ≈
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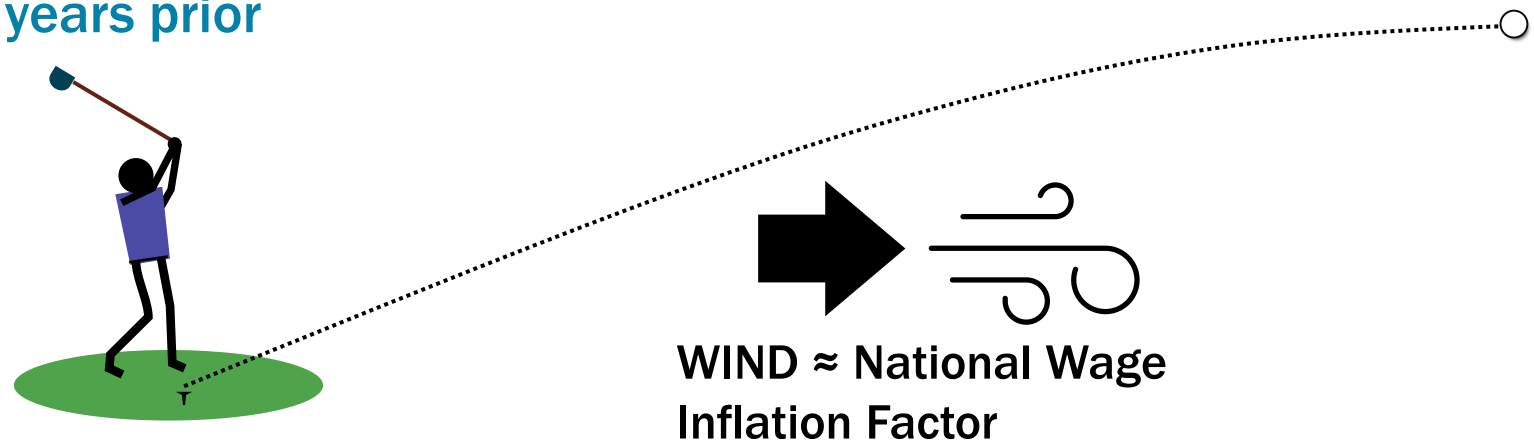


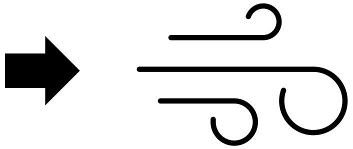
WIND ≈ National Wage
Inflation Factor

How we get local annual Very-Low Income (VLI) Limits

AMI

Club head speed ≈ ACS Data from 2 years prior

How far it travels ≈ **Local Current Year AMI**



WIND ≈ National Wage Inflation Factor

$$\frac{\text{2026 Per-Capita Wage and Salary Data}}{\text{2024 Per-Capita Wage and Salary Data}}$$

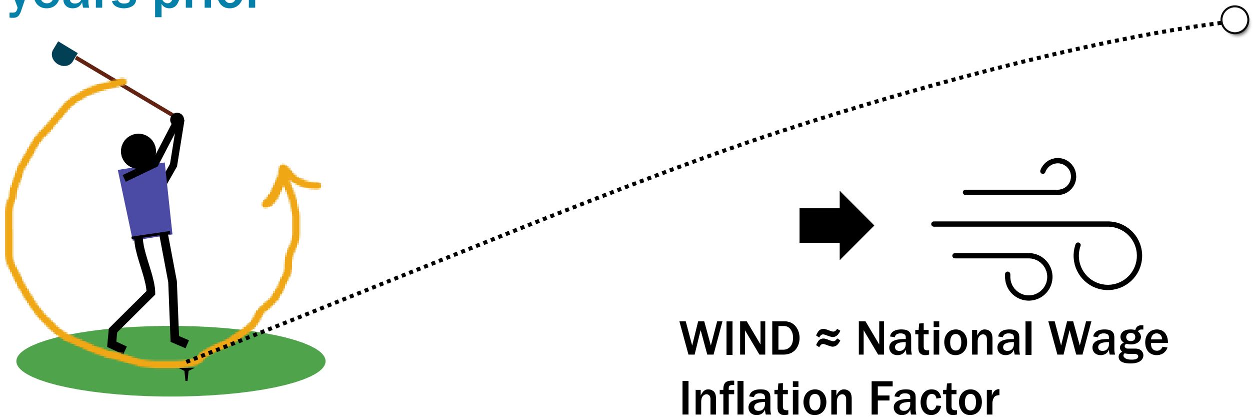
Inflation factor was CPI prior to 2025

AMI

How we get local annual Very-Low Income (VLI) Limits

Club head speed ≈ ACS Data from 2 years prior

How far it travels ≈ **Local Current Year AMI**

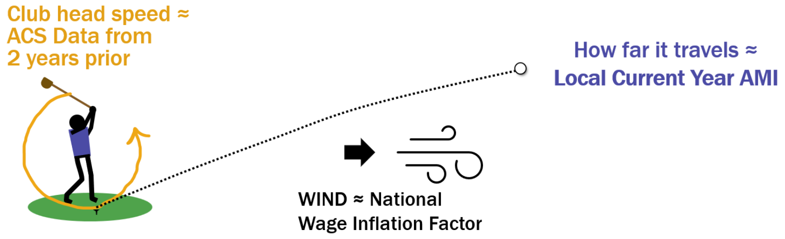


WIND ≈ National Wage Inflation Factor

$$\text{2024 ACS} \times \frac{\text{2026 Per-Capita Wage and Salary Data}}{\text{2024 Per-Capita Wage and Salary Data}} = \text{2026 AMI}$$

Inflation factor was CPI prior to 2025

How we get local annual Very-Low Income Limits (VLI)



$$2024\ ACS \times \frac{2026\ \text{Per-Capita Wage and Salary Data}\ *}{2024\ \text{Per-Capita Wage and Salary Data}} = \quad = 2026\ AMI$$

* Based on Jan. 2025 CBO 10-Year Economic projection

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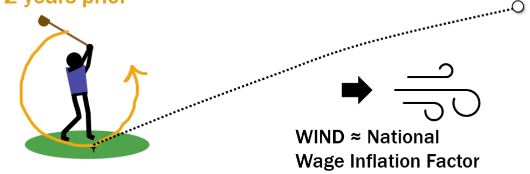
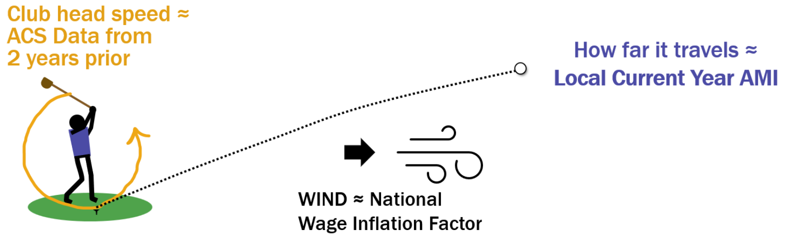


2024 ACS X (2026 Per-Capita Wage and Salary Data * / 2024 Per-Capita Wage and Salary Data) 5.32% = 2026 AMI

*Based on Jan. 2025 CBO 10-Year Economic projection

How we get local annual Very-Low Income Limits (VLI)



Since trend factor is ≈2.7% lower ACS must increase by ≈2.7% just for AMI to stay flat

2025

2023 ACS X $\dfrac{\text{2025 Per-Capita Wage and Salary Data}}{\text{2023 Per-Capita Wage and Salary Data}}$ **8.04%** = 2025 AMI

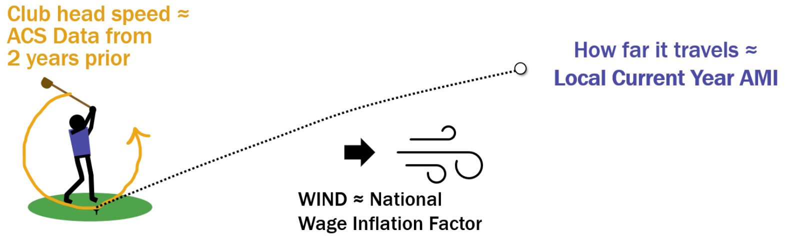
2026

2024 ACS X $\dfrac{\text{2026 Per-Capita Wage and Salary Data *}}{\text{2024 Per-Capita Wage and Salary Data}}$ **5.32%** = 2026 AMI

2.7% lower

*Based on Jan. 2025 CBO 10-Year Economic projection

How we get local annual Very-Low Income Limits (VLI)



Since trend factor is ≈2.7% lower ACS must increase by ≈2.7% just for AMI to stay flat

2025

2023 ACS $100,000 X $\frac{\text{2025 Per-Capita Wage and Salary Data}}{\text{2023 Per-Capita Wage and Salary Data}}$ = 8.04% = 2025 AMI $108,000

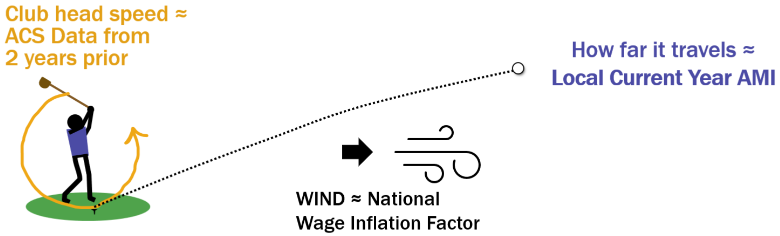
2026

2024 ACS $102,700 X $\frac{\text{2026 Per-Capita Wage and Salary Data *}}{\text{2024 Per-Capita Wage and Salary Data}}$ = 5.32% = 2026 AMI $108,200

2.7% lower

*Based on Jan. 2025 CBO 10-Year Economic projection

How we get local annual Very-Low Income Limits (VLI)



2025 - National

2023 ACS
$96,400

X

2025 Per-Capita Wage and Salary Data
———
2023 Per-Capita Wage and Salary Data

= **8.04%** =

2025 AMI
$104,200

2026 – National

2024 ACS
$101,265

X

2026 Per-Capita Wage and Salary Data *
———
2024 Per-Capita Wage and Salary Data

= **5.32%** =

2026 AMI
$106,700

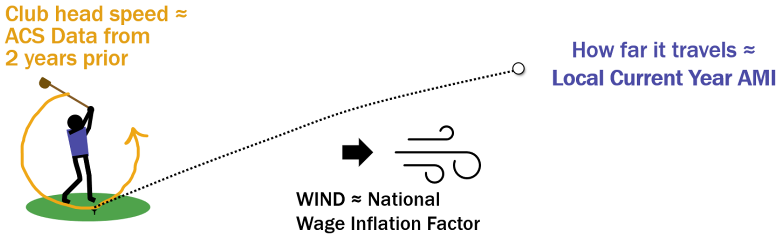
Increase by 5.04%

2.7% lower

Increase by 2.4%

*Based on Jan. 2025 CBO 10-Year Economic projection

How we get local annual Very-Low Income Limits (VLI)



2025 – Wenatchee, WA MSA

2023 ACS
$89,283

X

2025 Per-Capita Wage and Salary Data / 2023 Per-Capita Wage and Salary Data = 8.04%

= 2025 AMI
$96,500

2026 – Wenatchee, WA MSA

2024 ACS
$93,996

X

2026 Per-Capita Wage and Salary Data * / 2024 Per-Capita Wage and Salary Data = 5.32%

= 2026 AMI
$99,000

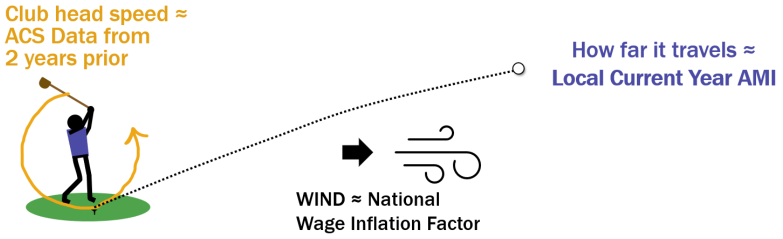
Increase by 5.3%

2.7% lower

Increase by 2.6%

*Based on Jan. 2025 CBO 10-Year Economic projection

How we get local annual Very-Low Income Limits (VLI)



2025 – Cache County, UT

2023 ACS
$93,184

X

2025 Per-Capita Wage and Salary Data / 2023 Per-Capita Wage and Salary Data = 8.04%

= 2025 AMI
$100,700

2026 – Cache County, UT

2024 ACS
$94,551

X

2026 Per-Capita Wage and Salary Data * / 2024 Per-Capita Wage and Salary Data = 5.32%

= 2026 AMI
$99,600

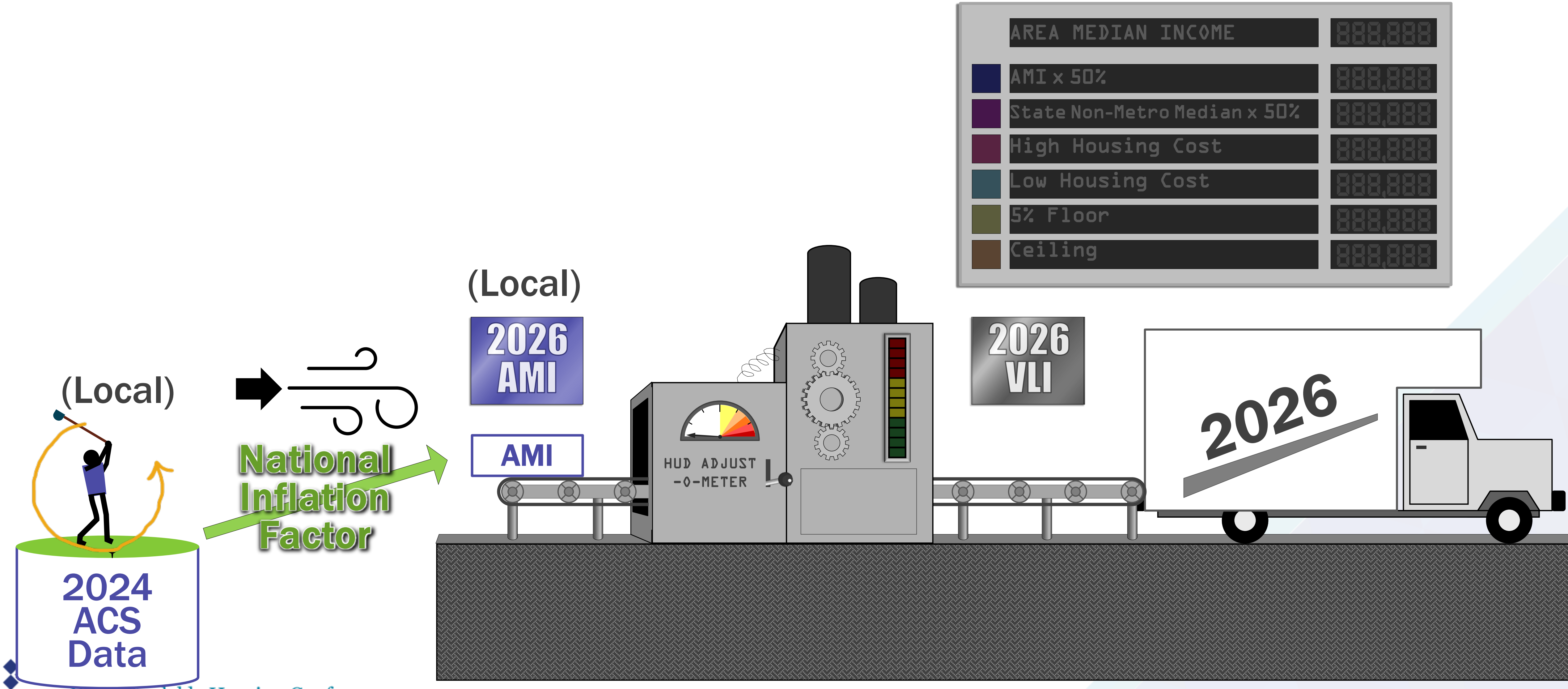
Increase by 1.5%

2.7% lower

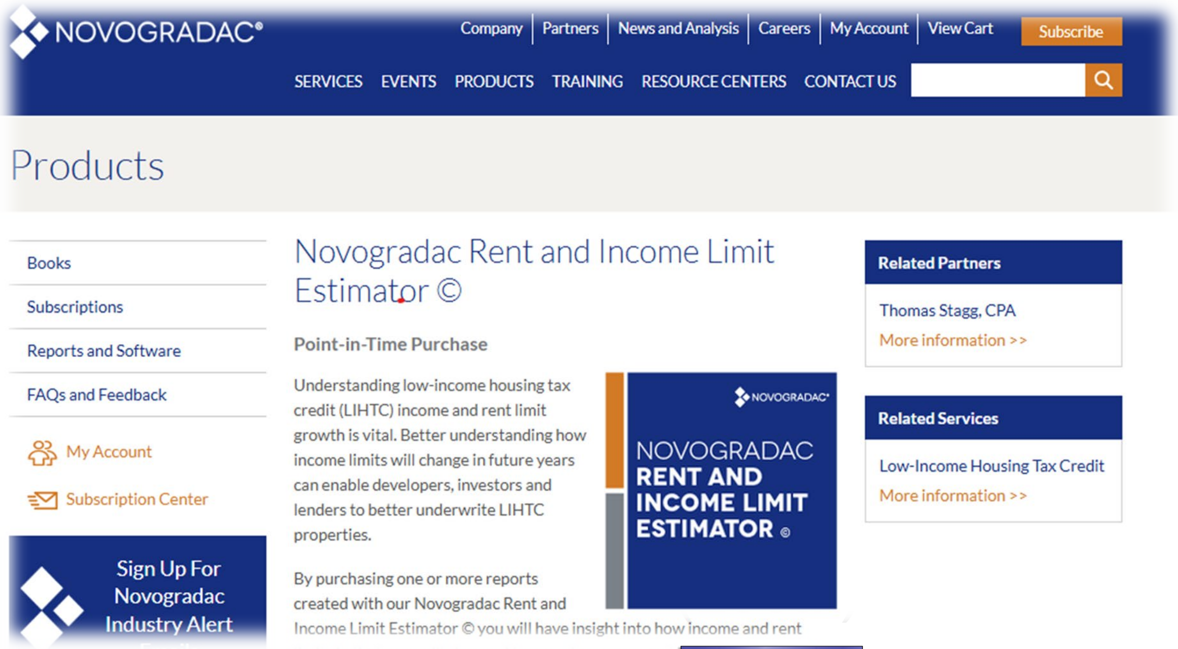
Decrease by 1.01%

*Based on Jan. 2025 CBO 10-Year Economic projection

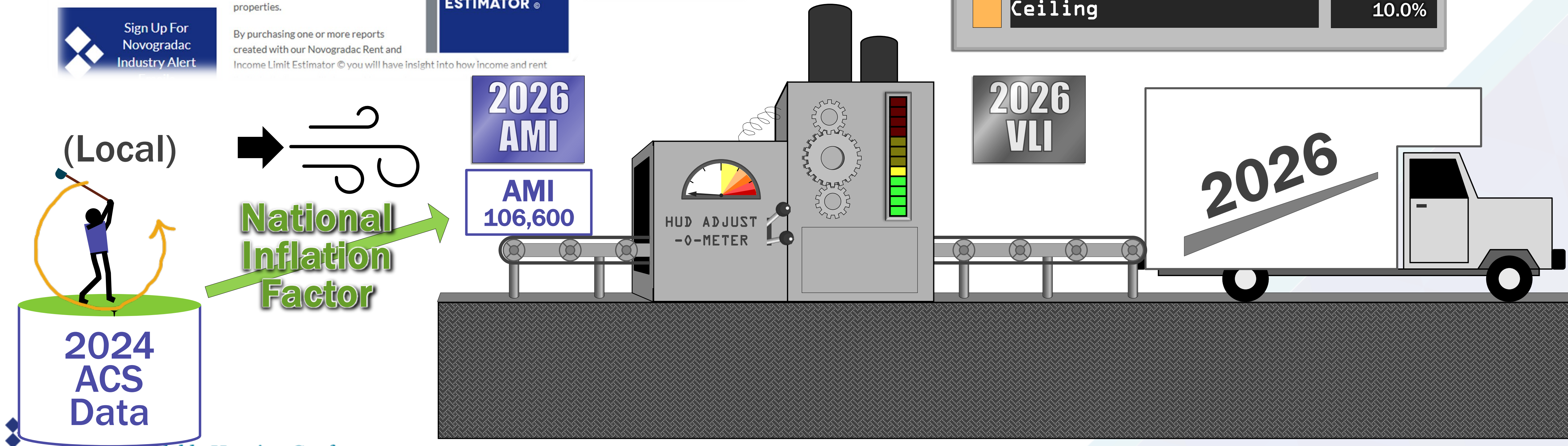
How Does This Translate to 2026 VLI



How we get local annual Very-Low Income (VLI) Limits



AREA MEDIAN INCOME	2.04%
AMI x 50%	2.04%
State Non-Metro Median x 50%	????
High Housing Cost	4.25%
Low Housing Cost	N/A
5% Floor	-5.0%
Ceiling	10.0%



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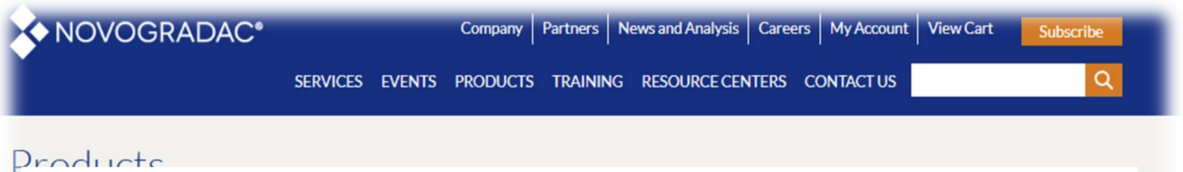
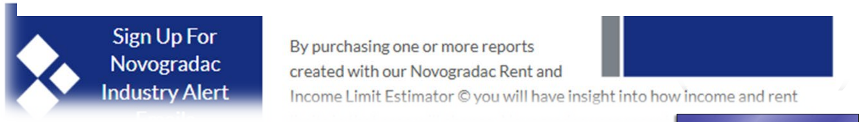


- We can estimate for 23 of the 39 counties
  - 16 counties use 5-year ACS - available in Dec.
- Average change is 5%
  - 3 counties have decrease in VLI
  - 20 have increase in VLI
- 5 counties are capped at 10%



AREA MEDIAN INCOME	2.04%
AMI x 50%	2.04%
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High Housing Cost	4.25%
Low Housing Cost	N/A
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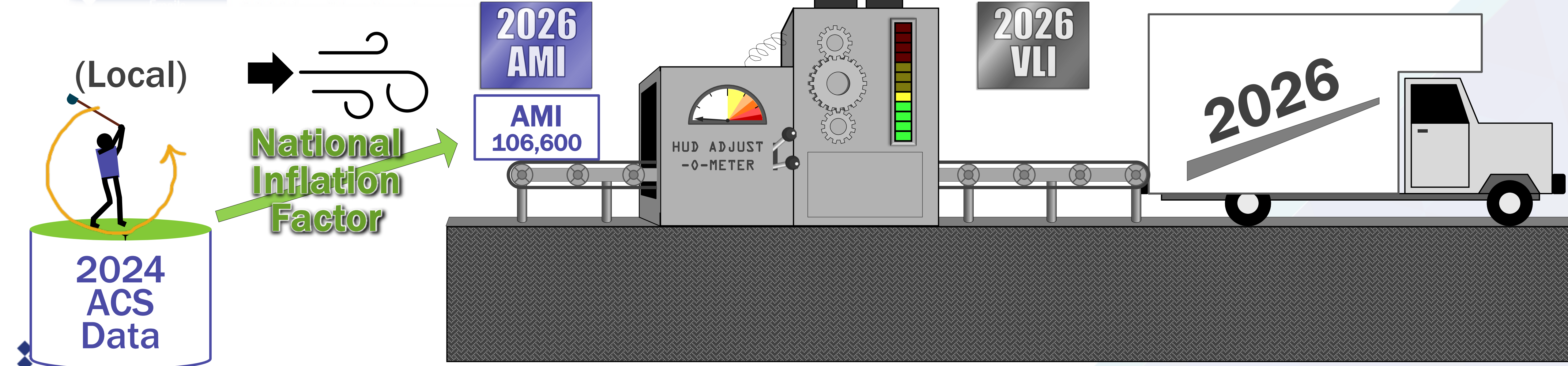
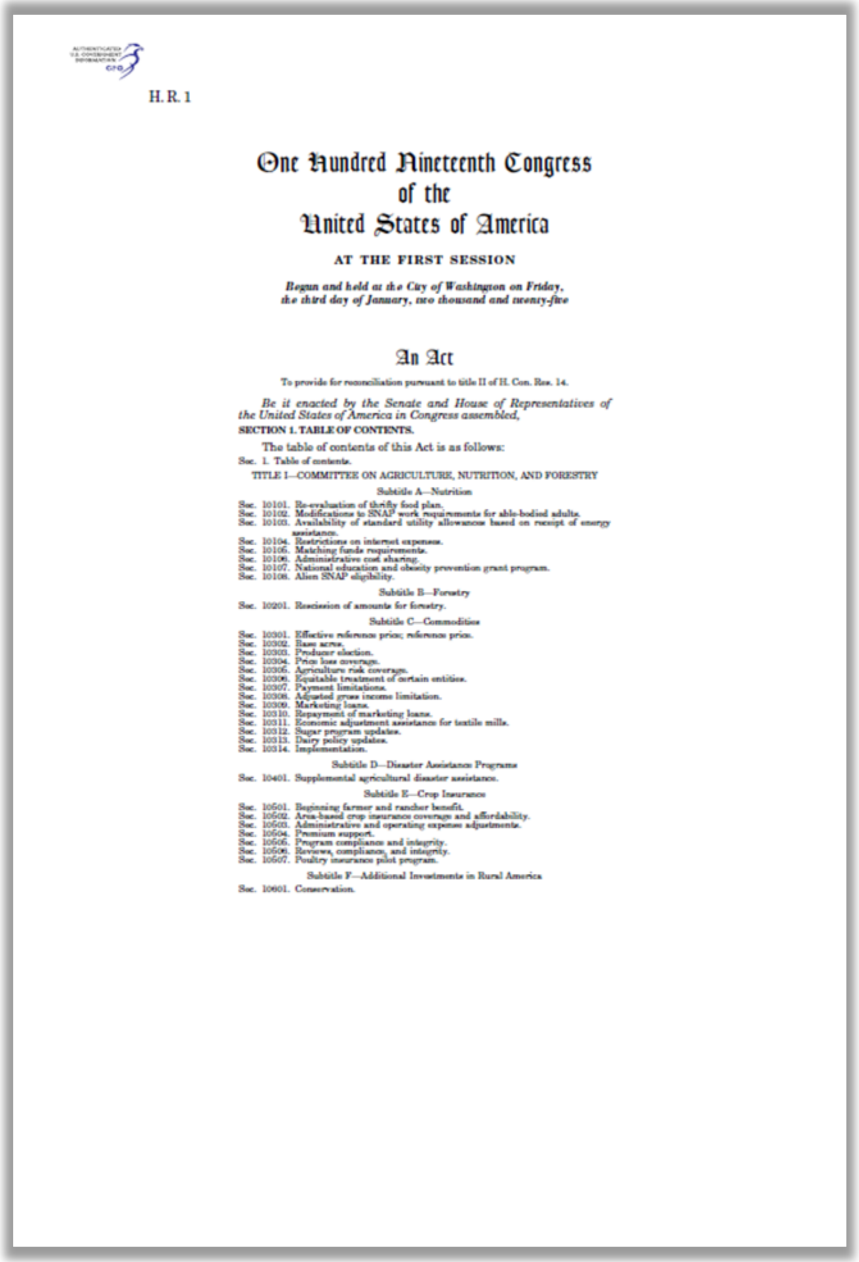
Ceiling	10.0%



Housing Related Provisions of OBBA

Final FY2025 Reconciliation Bill

Impacts on LIHTC, NMTC, OZ and RETCs



H. R. 1

One Hundred Nineteenth Congress
of the
United States of America

AT THE FIRST SESSION

Begun and held at the City of Washington on Friday, the third day of January, two thousand and twenty-five

An Act

To provide for reconciliation pursuant to title II of H. Con. Res. 14.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. TABLE OF CONTENTS.

The table of contents of this Act is as follows:

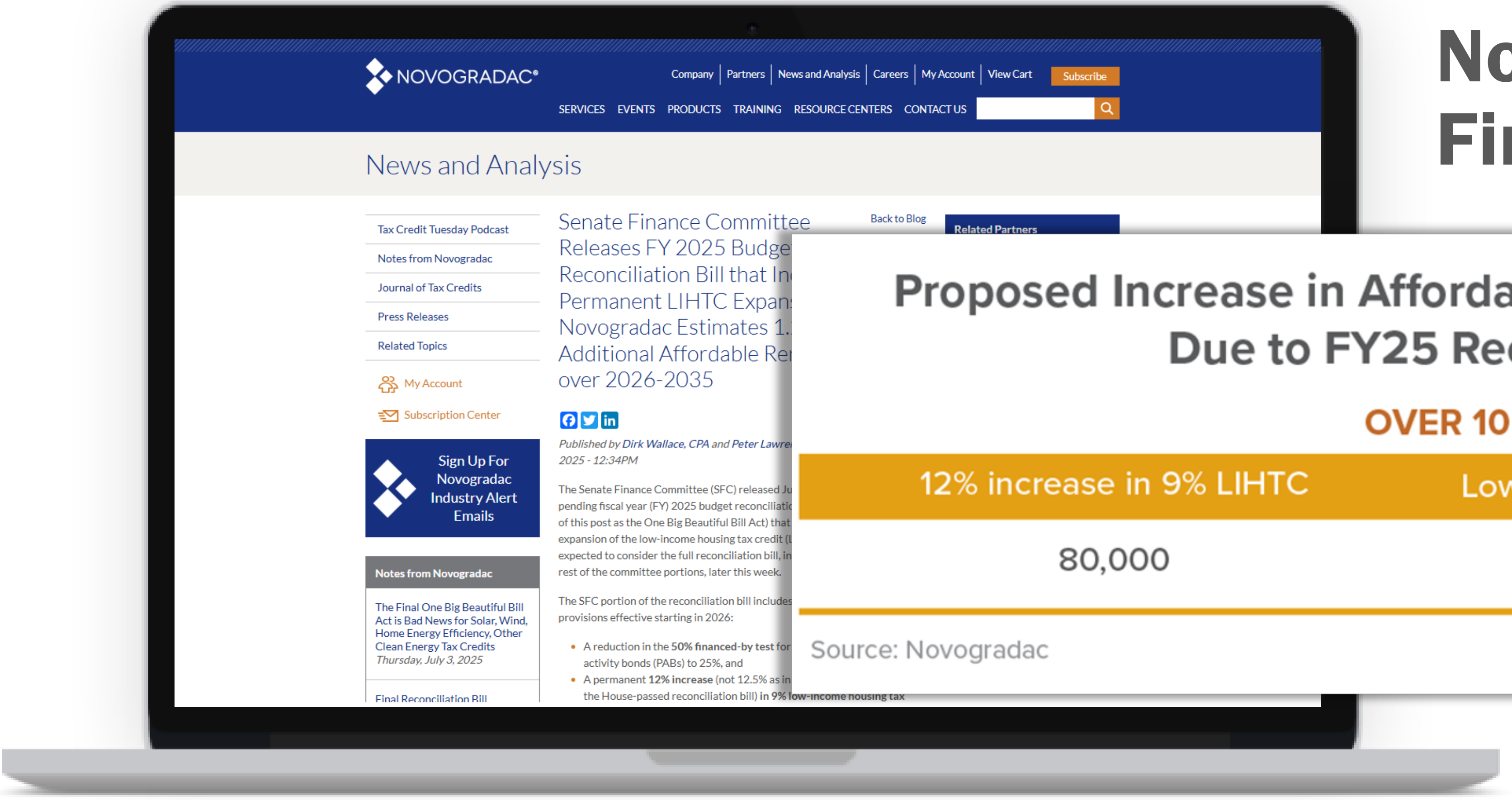
TWO DIRECT LIHTC CHANGES

Increase in 9% allocations

Lowering the 50% test to 25% for 4% tax credits

www.novoco.com/**notes-from-novogradac**

Novogradac LIHTC Unit Financing Estimates



Proposed Increase in Affordable Rental Homes Financed Due to FY25 Reconciliation Bill

OVER 10 YEARS

12% increase in 9% LIHTC	Lowering the 50% Test	**TOTAL**
80,000	1,143,000	**1,223,000**

Source: Novogradac

NOVOGRADAC

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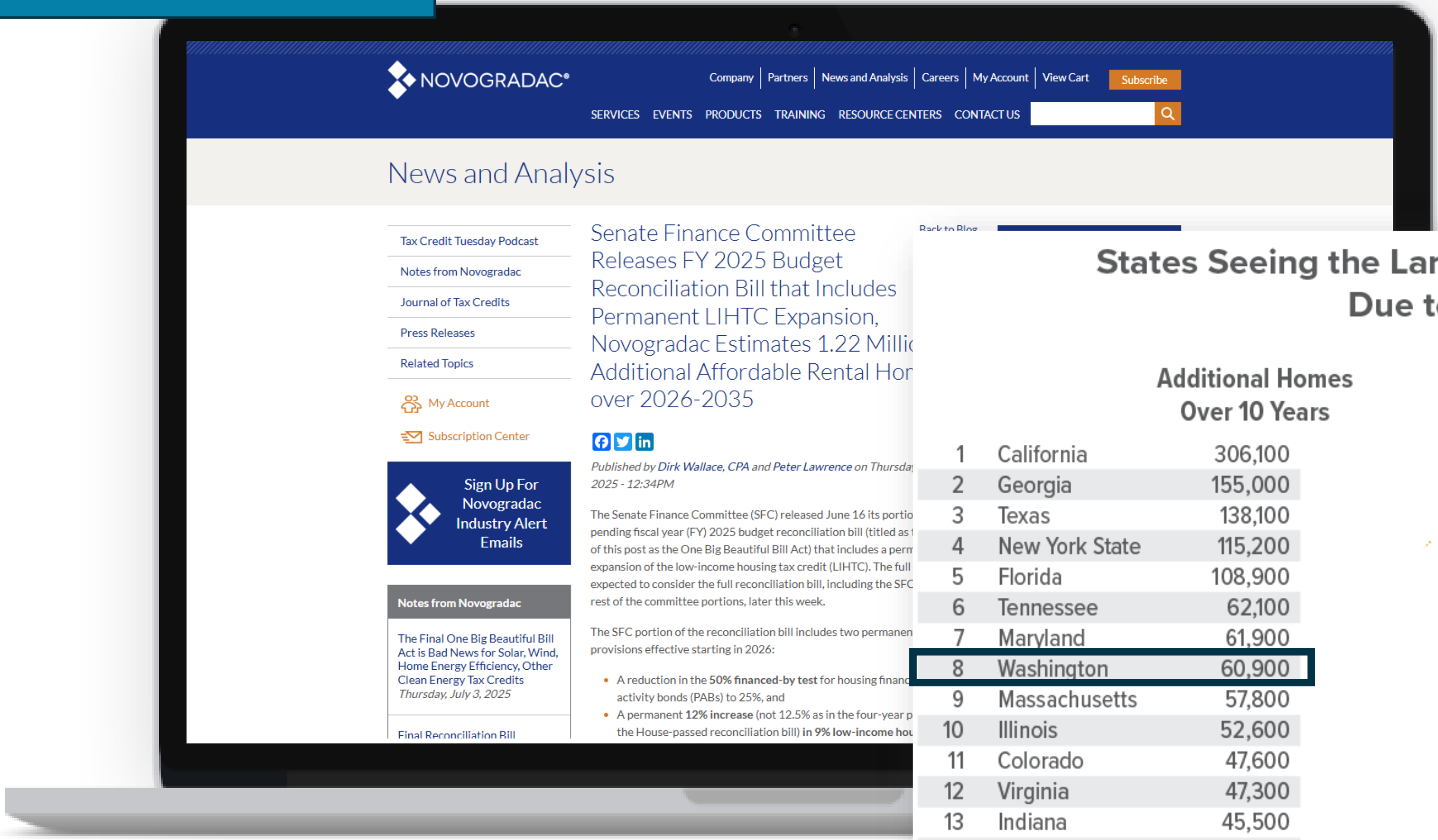
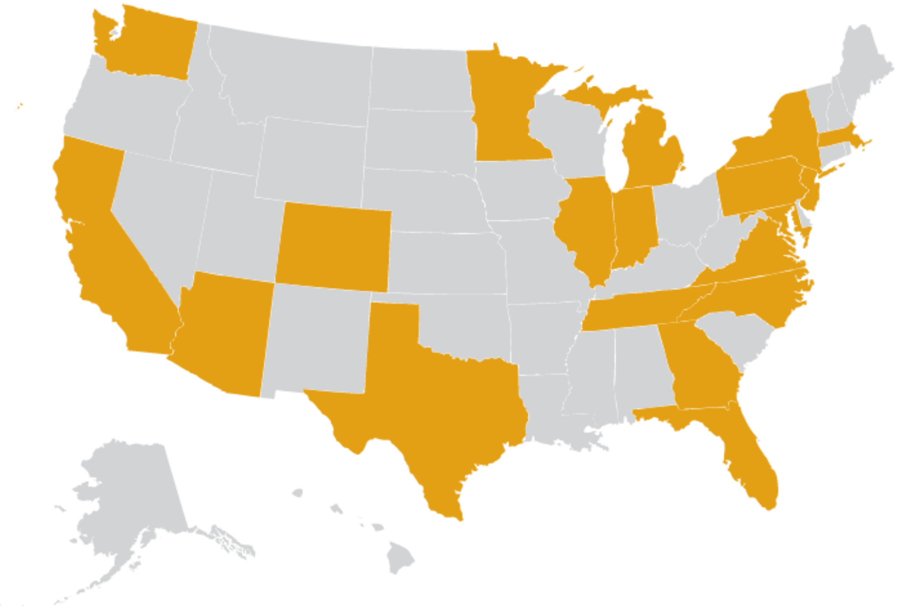


States Seeing the Largest Increase in Affordable Rental Homes Due to AHCIA LIHTC Provisions

		Additional Homes Over 10 Years
1	California	306,100
2	Georgia	155,000
3	Texas	138,100
4	New York State	115,200
5	Florida	108,900
6	Tennessee	62,100
7	Maryland	61,900
8	Washington	60,900
9	Massachusetts	57,800
10	Illinois	52,600
11	Colorado	47,600
12	Virginia	47,300
13	Indiana	45,500
14	Michigan	44,400
15	Pennsylvania	43,700
16	Minnesota	41,000
17	Arizona	40,200
18	District of Columbia	39,700
19	North Carolina	38,500
20	New Jersey	38,200



Source: Novogradac

NOVOGRADAC

www.novoco.com/**notes-from-novogradac**

Estimates of Rental Homes, Jobs, Wages & Business Income and Tax Revenue Generated Due to FY25 Reconciliation Bill Over 10 Years

	Rental Homes	Jobs	Wages and Business Income	Federal, State and Local Taxes
Washington	62,100	95,500	$10,779,773,600	$3,731,115,100
West Virginia	2,900	4,500	$503,403,300	$174,238,900
Wisconsin	32,800	50,400	$5,693,664,600	$1,970,701,700
Wyoming	1,500	2,300	$260,381,000	$90,123,600

12% Increase in 9% Allocations

12% Increase in 9% Allocations

- What agencies have to allocate is made up of several components
- The largest is a multiplier times population (or small state minimum)
- The amount is $3.00 for 2025, and is as yet unknown for next year
- Section 42 rounds it down to the nearest $0.05
- Under the bill, this part will be 12% greater
- Starts in CY 2026 with no sunset (permanent)
- More to forward commit now or award next year

Example: Washington (hypothetical)

	Before	Changed	Difference
2026 Multiplier	$3.05	$3.40	
Population*	7,958,180	7,958,1800	
LIHTCs	$24,272,449	$27,057,812	$2,785,363

Average credit requested for funded projects in 2024 was 1.6M so this will fund 1-2 additional 9% projects/ year in WA

* Population based on 2025 population figures from Rev. Ruling 2025-9

25% Test –
Opportunity and Implications

Lowering the 50% Test

- If a project is financed by volume cap tax-exempt bonds it can qualify for 4% LIHTC
  - Prior to OBBA financed by meant 50% of the project was financed by tax exempt bonds
  - OBBA reduced the financed by test to 25%

Volume Cap

- Each state receives $130/person in bonds
- WA received $1,034,563,400 for 2025
- 42% of bonds are set aside for housing
  - 33.6 general housing $347,613,302
  - 8.4% for housing authorities $86,903,326
- Other set asides include
  - Exempt Facilities 20%
  - Small Issue 25%
  - Student Loans 5%
  - Other 8%
- Typically, if the set-asides do not use all its allocation the remainder is reallocated to housing.

- Each state receives $13[illegible]
- WA received $1,034,563[illegible]
- 42% of bonds are set asi[illegible]
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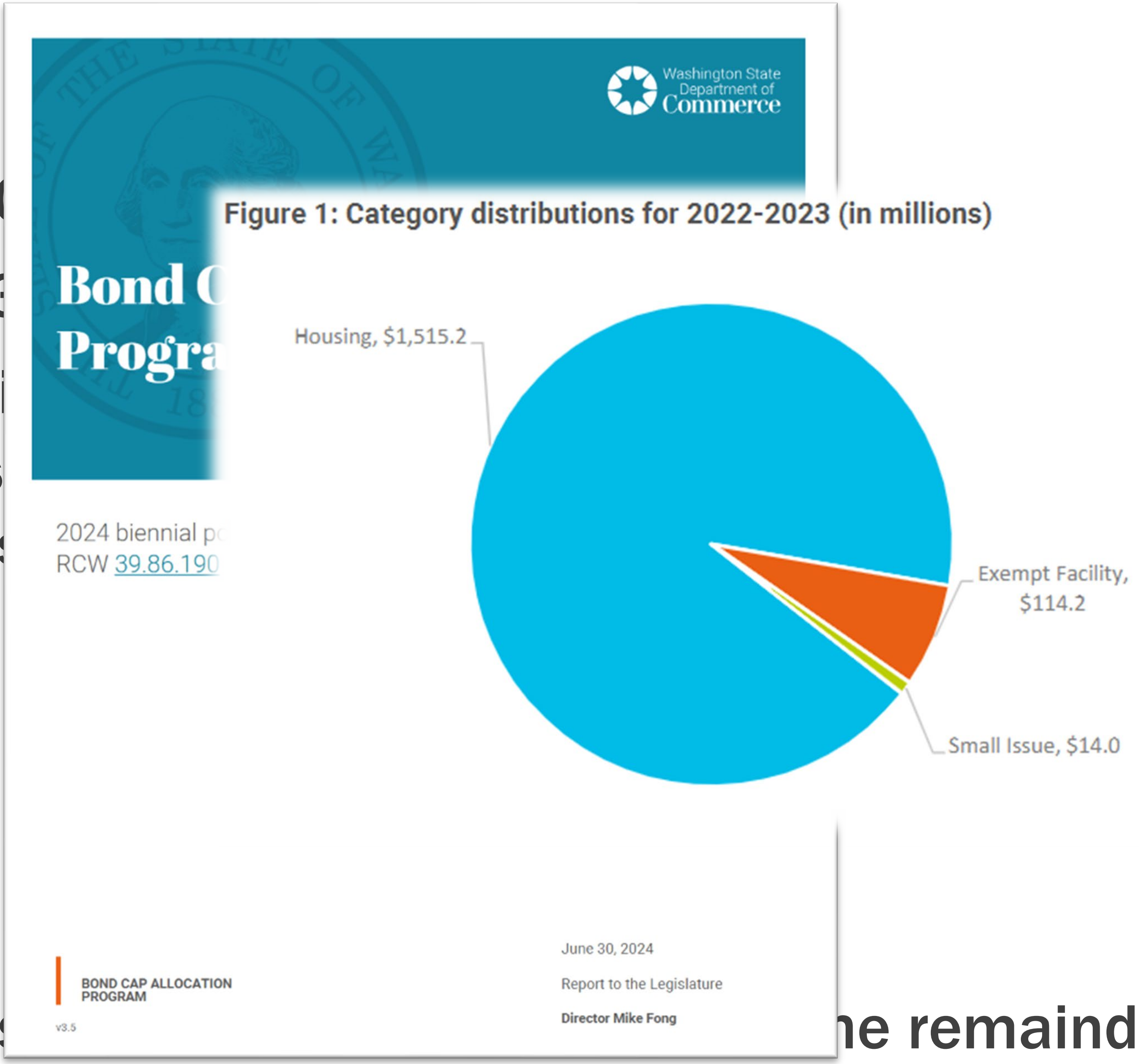
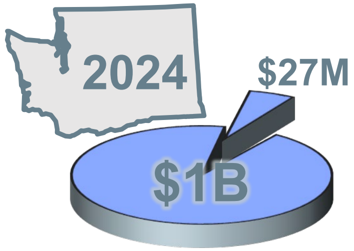
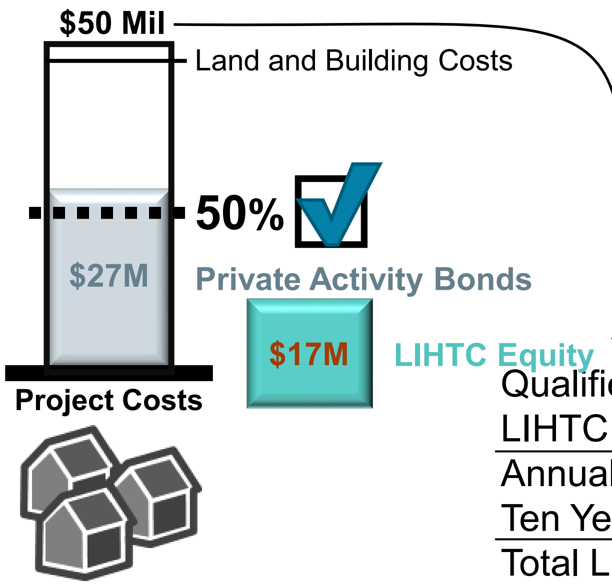


Example



Tax-Exempt Private Activity Bonds



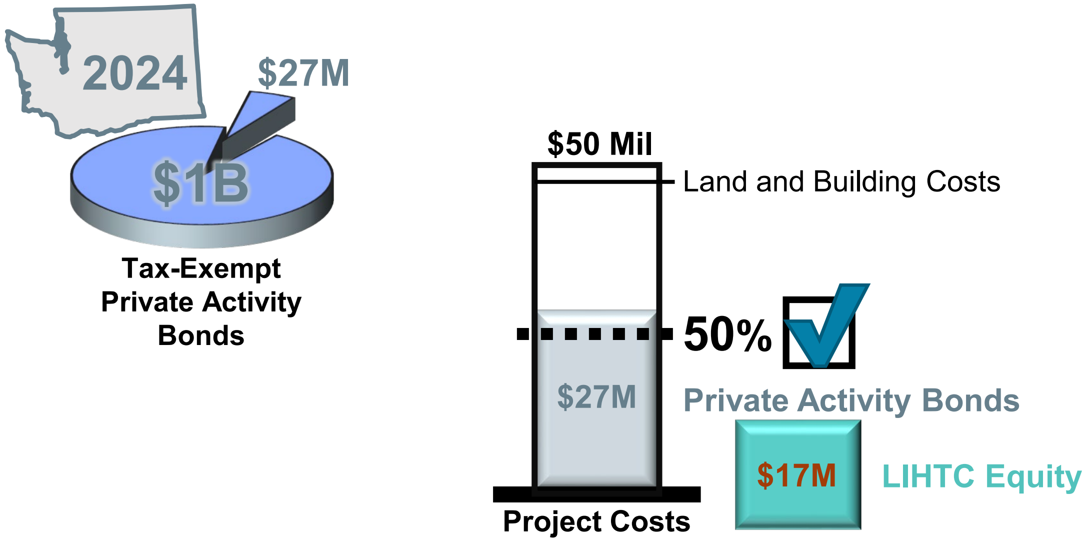
Qualified Basis*	$	47.23 Mil
LIHTC Rate	x	4%
Annual LIHTCs	$	1.89 Mil
Ten Years	x	10
Total LIHTCs	$	18.9 Mil
LIHTC Price per Credit	x	0.90
LIHTC Equity	**$**	**17 Mil**

$17M LIHTC Equity

*Eligible fixed assets multiplied by portion of total units that are dedicated for low-income households

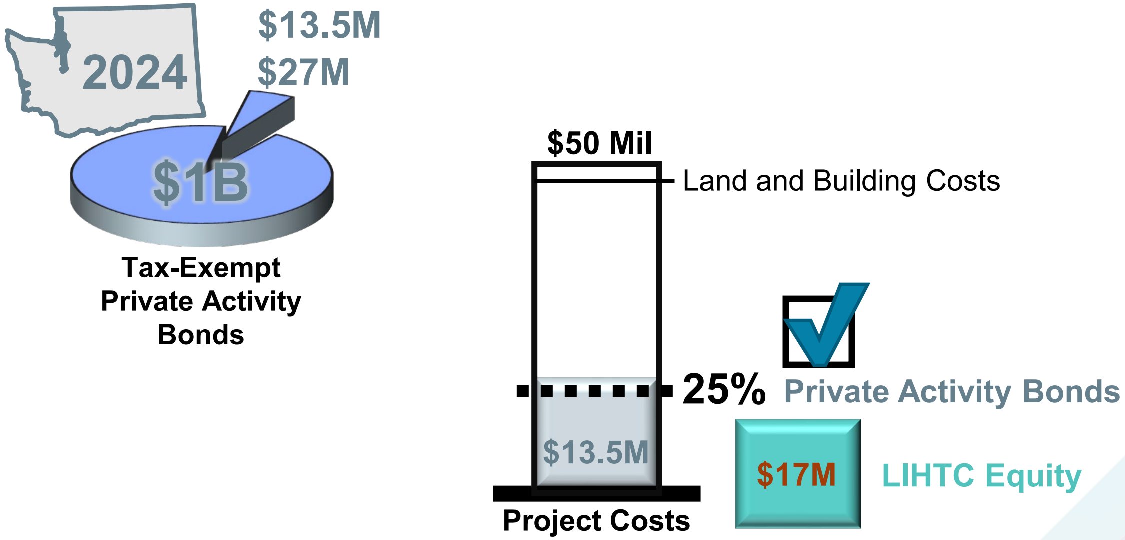
Example

50% Test



WSHFC could finance 37 projects

25% Test



WSHFC could finance 74 projects

Qualifications for the 25% Test

50% Test | 25% Test

SEPT. 10, 2025

Novogradac Fall Affordable Housing Conference

JAN. 1, 2026

50% Test: Property placed in service (PIS) before Jan. 1, 2026

25% Test: Property PIS after Dec. 31, 2025, if
- *At least 5% of aggregate basis is financed by bonds issued after Dec. 31, 2025*

Draw Down Bonds with an initial issue date prior to Jan. 1, 2026 *would not* qualify for 25% Test

- Carryforward Bonds issued after Dec. 31, 2025 qualify
- Acq/rehabs where rehab PIS after Dec. 31, 2025 qualify

JULY AUG SEPT OCT NOV DEC JAN FEB MAR APR MAY JUN JULY

2025 | 2026

Source: Tiber Hudson; Novogradac

The Opportunity

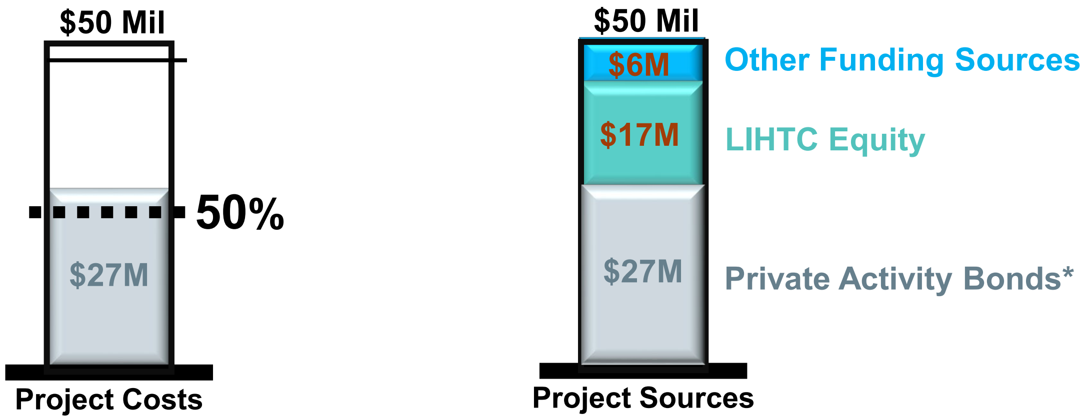
- Lower Max Allocations/Fundings
  - From ~55% to ~27.5%
- Limit bonds to the greater of 30% of aggregate basis or supportable debt
  - Consider phasing in over time

The Implications

- Loss of lower cost tax-exempt debt
  - Creates small gap
-
-
-

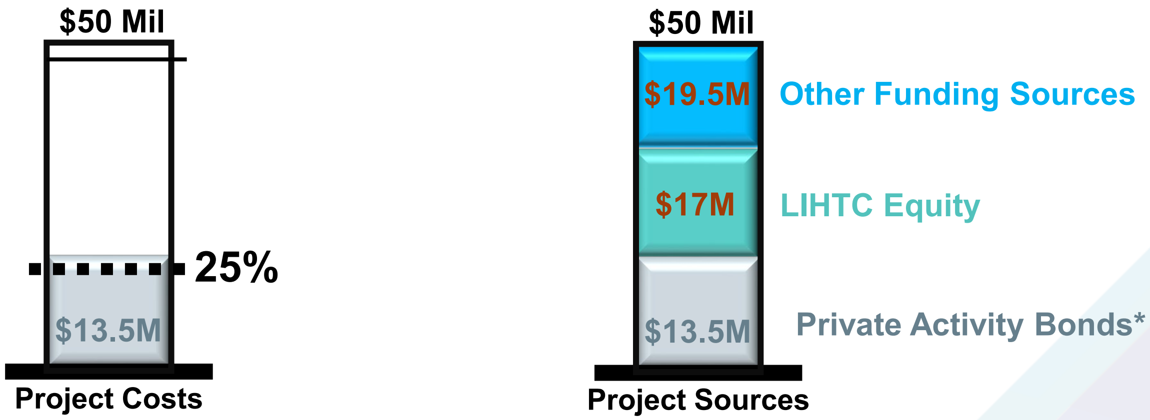
Example Based on a Seattle Property

50% Test



*Permanent amount would be limited by supportable debt.

25% Test



*Permanent amount would be limited by supportable debt.

Other Funding Sources:
- Supportable debt
- Housing Trust Fund
- City and County Funds
- HUD Funds
- Deferred Fees

Recycled Bonds

Tax-exempt funding source that can be used for 4% tax credit deals in lieu of new money private activity bonds for transactions that can support more than 30% of aggregate basis

Previously issued multifamily private activity bonds scheduled for redemption within 4 years of issuance

Originally issued within the same state as the new property (but could be from a different issuer)

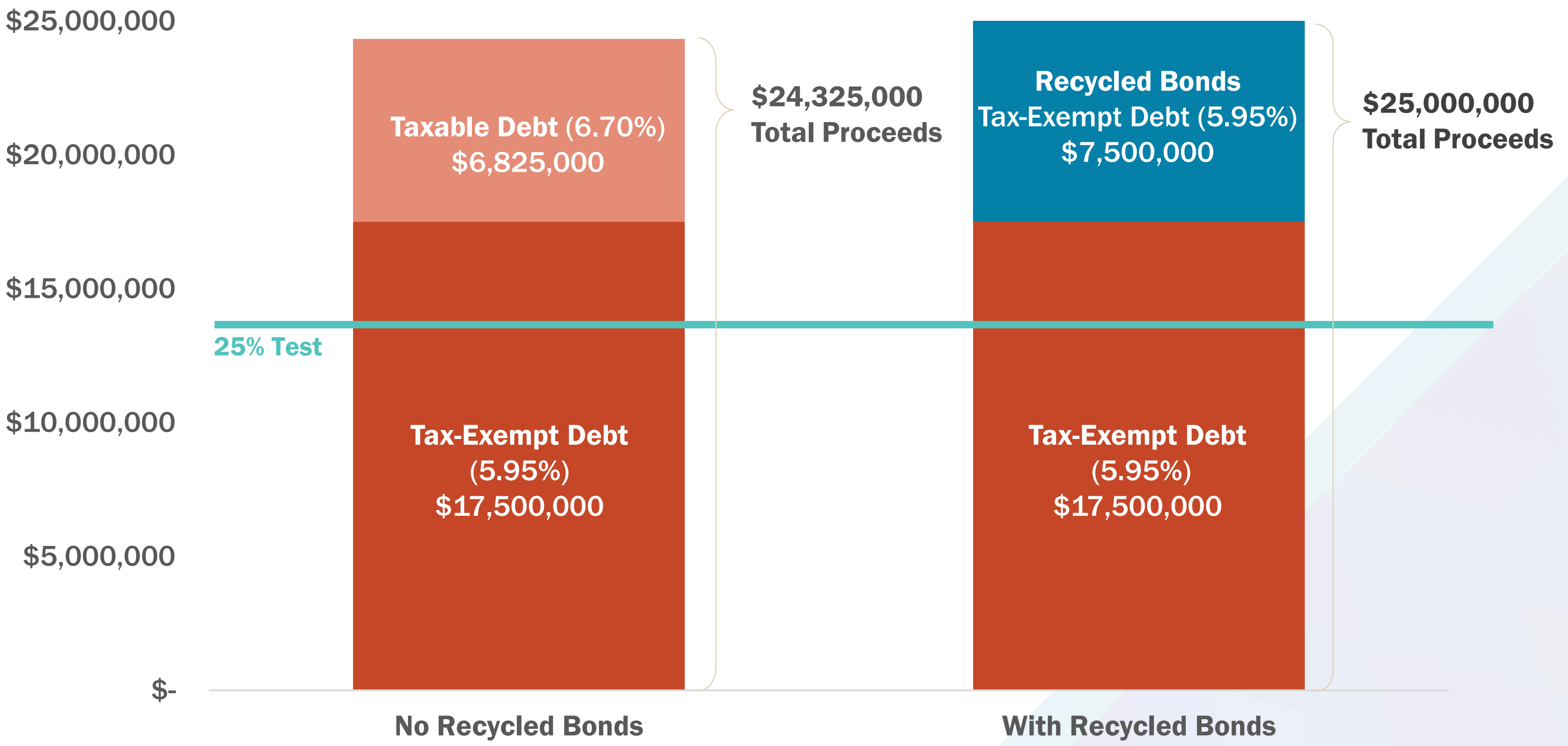
Recycled Bonds DO NOT apply to the 25% test for tax credits

Additional Loan Proceeds	$675,000
Less Additional COI*	($50,000)
Net Additional Proceeds	**$625,000 (2.56%)**

** Additional Upfront and Ongoing Issuer fees applicable, but vary based on specific issuer. Assumes Underwriter Fee is 0.50% of additional Tax-Exempt Debt.*

Recycled Bonds

Generates additional permanent debt for transactions with supportable debt more than the 25% Test



Source: Tiber Hudson; Novogradac

The Implications

- Loss of lower cost tax-exempt debt
  - Creates small gap
- Scalable Soft Financing?
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The Implications

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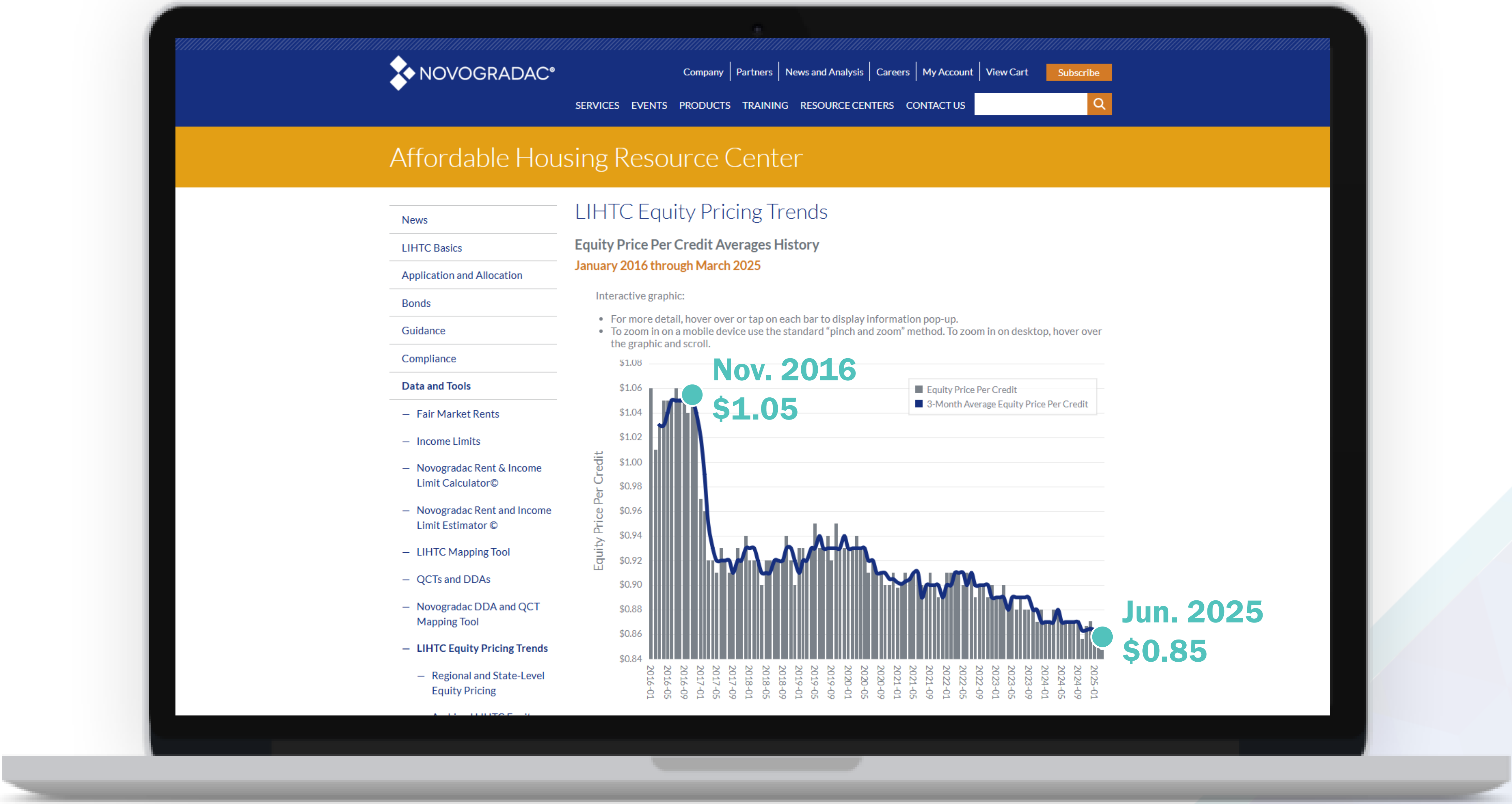
- Equity Pricing?
-

www.taxcredithousing.com



Equity Pricing of LIHTCs

- $ Increase Supply of Housing Credits ⬇
- $ Bonus Depreciation ⬆
- $ Fannie Mae & Freddie Mac ??? ⬆
- $ Phasing down of Energy Credits ⬆

- $ Interest Rates / Inflation ?
- $ Economy / Corporate Profits / New Investors ?
- $ Bank Regulation – CRA / Capital Charges ?
- $ Future Tax Bills? ?

The Implications

- Loss of lower cost tax-exempt debt
  - Creates small gap
- Scalable Soft Financing?
- Equity Pricing?
- More acq/rehab…preservation?
  - Seller carryback note can close the gap
  - Ability to carry existing debt at existing lower rates
    - 25% test makes it easier to carry old debt and larger seller carryback notes.

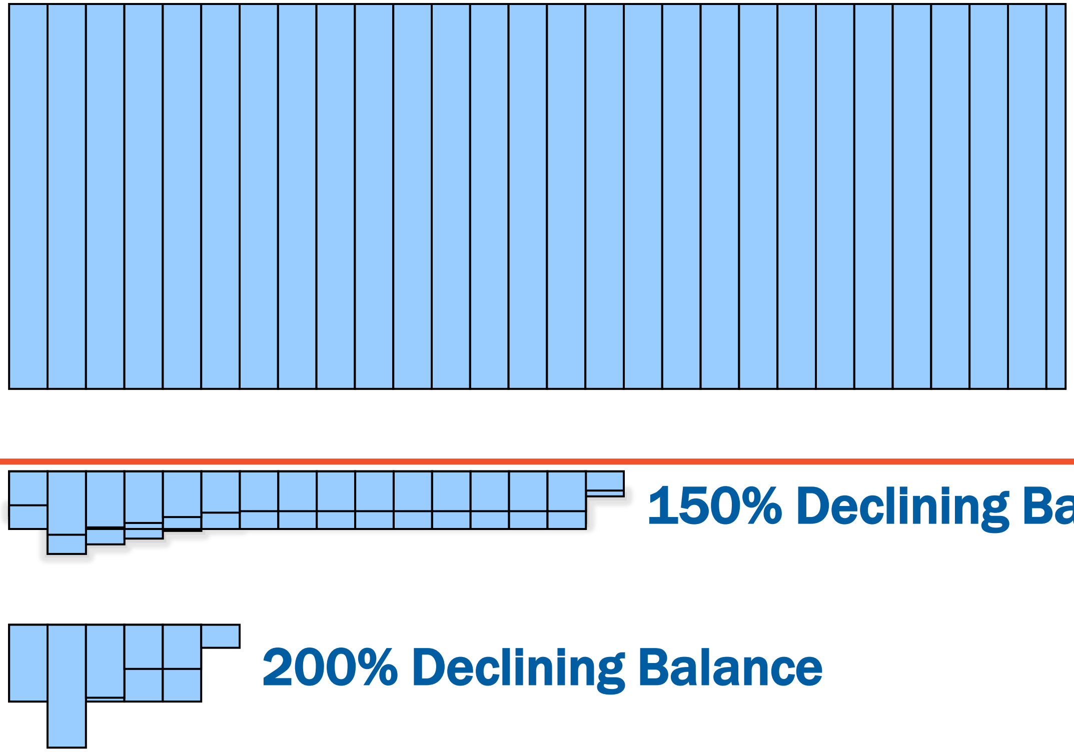
Other Provision

Bonus Depreciation

- 100% Bonus Depreciation for property acquired (“written binding contract”) and placed in service after Jan. 19, 2025
  - Available for property with life of 20 years or less
    - Site work (15-year)
    - Personal Property (5-year)
- Accelerates losses to investor which may result in better credit pricing
- Be aware of capital account impact

Bonus Depreciation

Residential rental building
27.5 yrs



Straight Line

Site work
15 yrs

150% Declining Balance

Personal property
5 yrs

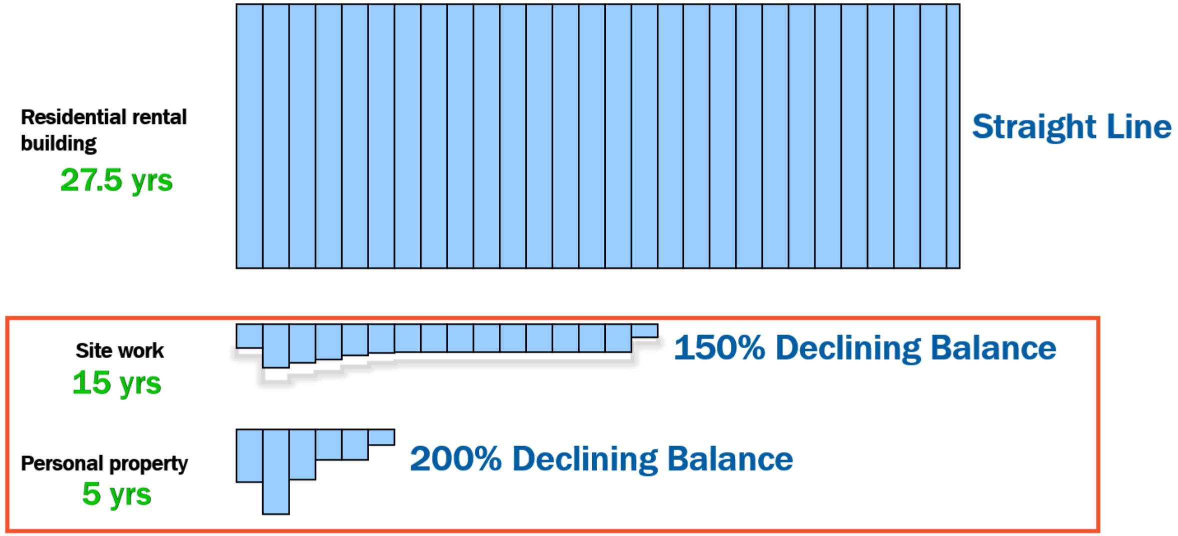
200% Declining Balance

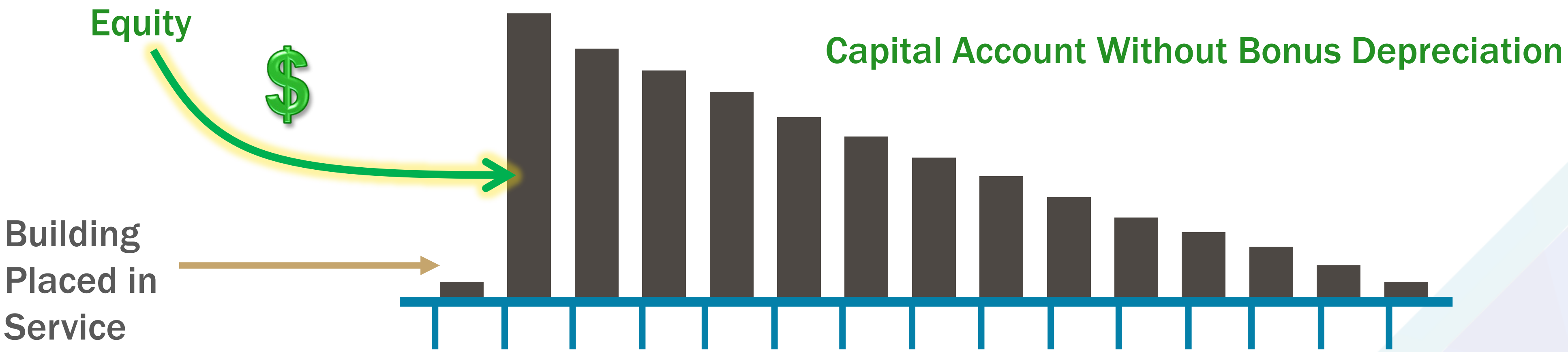
All deducted in year 1 under bonus depreciation

Total deductions over the 15-year period stay basically the same

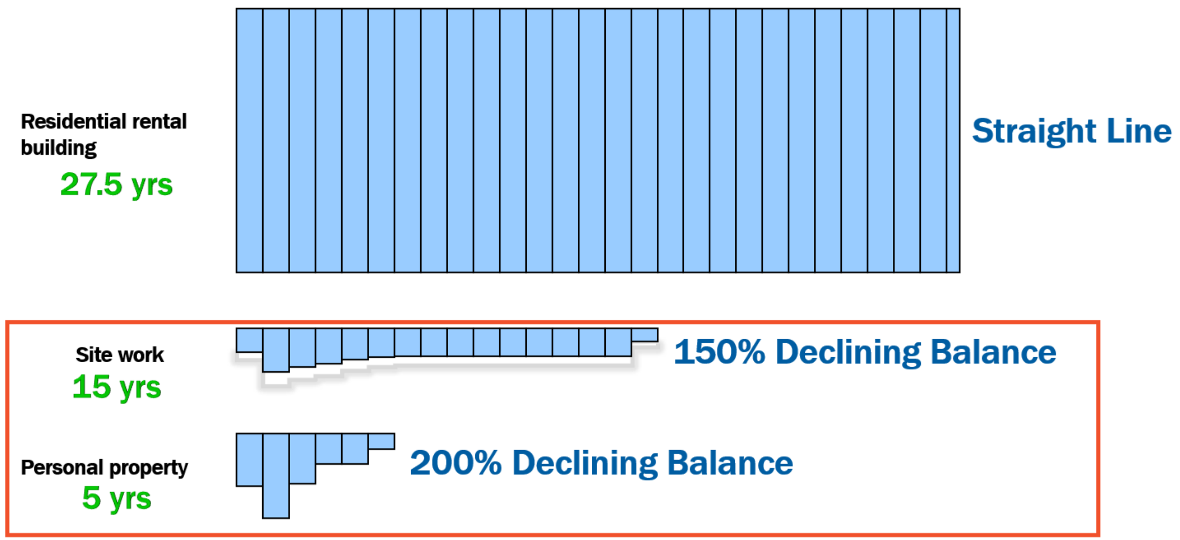
Due to timing of capital contributions may require a DRO to preserve credit allocation

Bonus Depreciation



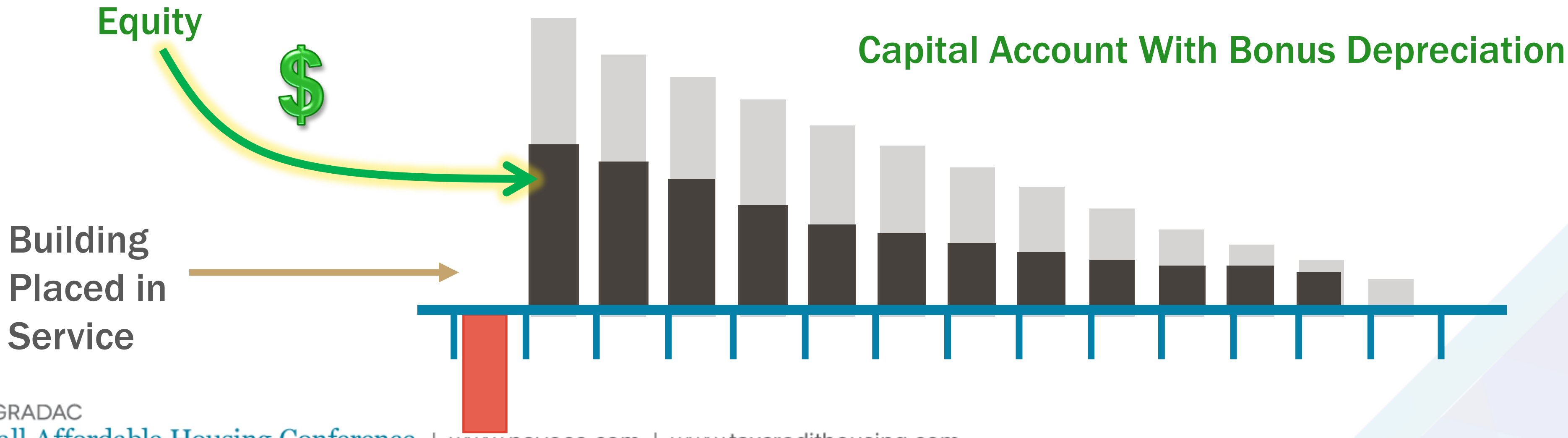


Bonus Depreciation



Potential Implication

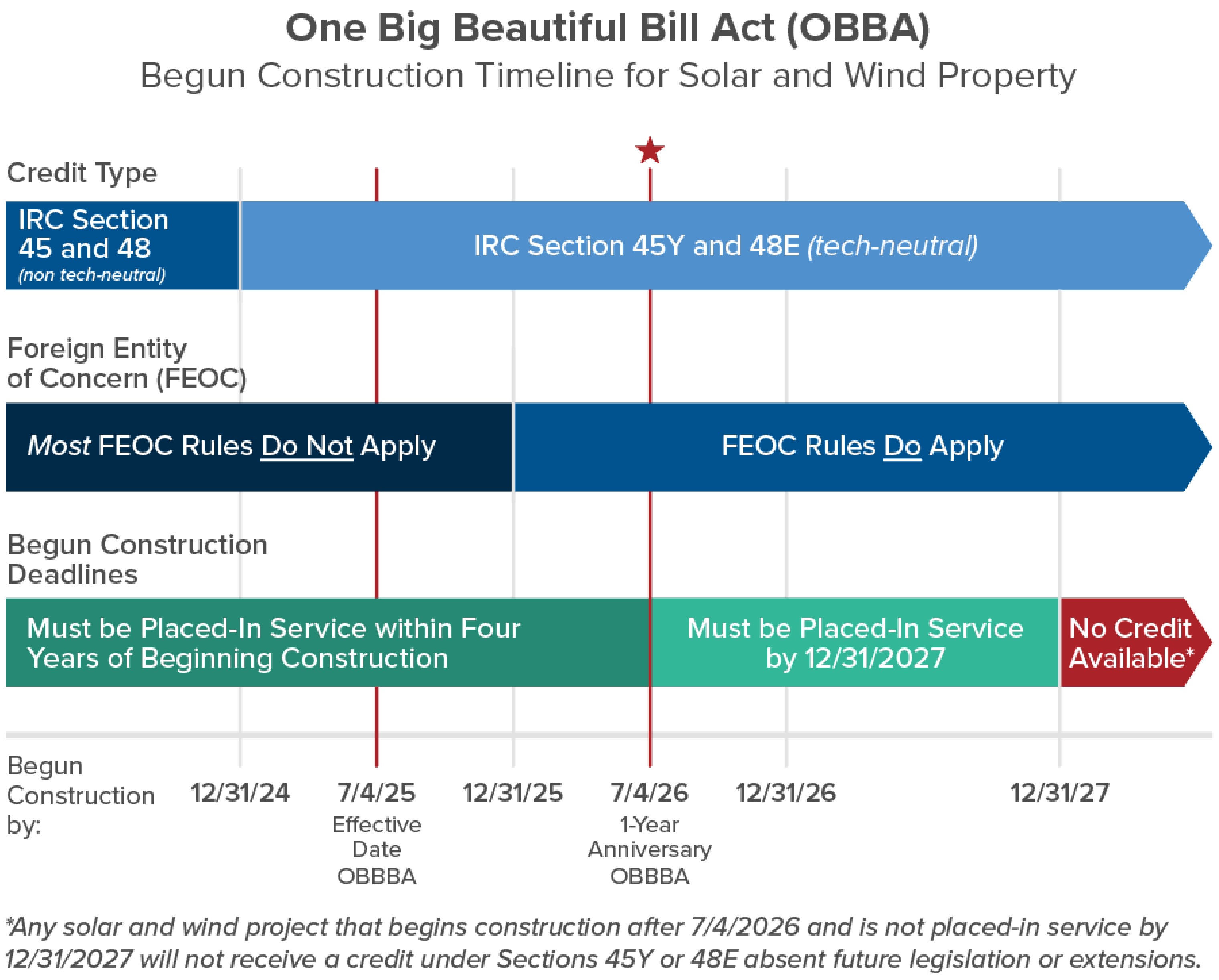
- If LP does not have basis, they cannot take the losses
  - Could result in a reallocation of losses and credits
- Consider a limited Deficit Restoration Obligation (DRO)



Solar

- Solar credits expire in 2027
- Special provisions for projects that start construction prior to July 4, 2026

Sections 48E ITC, 45Y PTC



Housing-Related Credits

(45L and 179D)

Housing-Related Tax Credits

	Current Law	Final Reconciliation Bill
Sect. 45L Energy-Efficient New Homes Credit for Home Builders	Credit available through 2032 for newly built or substantially reconstructed energy-efficient homes.	Ends after June 30, 2026 (approximately 12 months after enactment).
Sect. 179D Energy Efficient Commercial Buildings Deduction	Available to owners of qualified commercial buildings And designers of EECBP/EEBRP installed in buildings owned by specified tax-exempt entities, including certain government entities, Indian tribal governments, Alaska Native Corporations, and other tax-exempt organizations.	Ends the deduction after June 30, 2026 (approximately 12 months after enactment), for property that has not begun construction.

Other Provisions

- NMTC
  - Made permanent
  - Round expected sometime this fall or early next year
- Opportunity Zones
  - Made permanent
  - New zones will be designated
  - Most impactful starting after 2026