The year 2022 could be transformational for public housing authorities (PHAs) in terms of development opportunities and challenges. Michael Novogradac, CPA, and Novogradac partner Rich Larsen, CPA, discuss hot topics for PHAs and strategies to help them address their operating needs, as well as their capital needs. They'll discuss the current status of federal funding for PHAs and why 2022 is a critical window for PHAs in terms of affordable housing development and preservation. They discuss the Rental Assistance Demonstration (RAD) program and considerations for low-income housing tax credit (LIHTC) properties controlled by PHAs as they reach the end of their initial 15-year compliance period. They conclude with action items PHAs can take this year.

Summaries of each topic:

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Transcript

[00:00:11] **Michael Novogradac, CPA:** Hello, I'm Michael Novogradac. And this is Tax Credit Tuesday. This is the Tuesday, Jan. 11th, 2022 podcast. Happy New Year to our listeners and welcome to the first Tax Credit Tuesday podcast of 2022. We're starting off the year with a must-listen episode for public housing authorities or PHAs, as well as their developer and investor partners.

We're discussing hot topics for PHAs and strategies to help them address their operating needs as well as their capital needs. If you're a PHA or if you work with one, be sure to share this podcast with your colleagues and partners so they don't miss out. Now, 2022 could be a transformational year for public housing authorities in terms of development opportunities and challenges.

That's despite the fact that legislation that would have provided an infusion of capital for public housing getting derailed in December. I'm referring of course to the Build Back Better Act, which did not advance out of the Senate after failing to get the unanimous support it needed from Democratic senators.

However, I do want to note that Build Back Better is not necessarily dead. There are opportunities for certain provisions to be included in separate legislation. Given that context, we are going to discuss in today's podcast the current status of federal funding for PHAs.

We'll also discuss reasons why 2022 is a critical window for public housing authorities for affordable housing development and preservation, including factors related to the Rental Assistance Demonstration program, commonly known as RAD. We'll also discuss considerations for low-income housing tax credit properties controlled by PHAs as they reached the end of their initial 15-year compliance period.

Joining me on today's podcast is one of Novogradac's experts on public housing authorities. That of course is my partner Rich Larsen from Novogradac's Tom's River, New Jersey, office. Rich is the lead author of Novogradac's Rental Assistance Demonstration Handbook. He's also the chair of Novogradac's annual RAD conference.

Rich is a returning guest to Tax Credit Tuesday, and we're very excited to have him back. His episodes always lead in the number of downloads. We have a lot to cover, so if you're ready, let's get started.

[00:02:37] **Rich Larsen, CPA:** Thanks, Mike. Thanks for having me. It's always great to talk about PHAs.

[00:02:42] **Michael Novogradac, CPA:** And our listeners always enjoy hearing you speak about public housing authorities, which is one of the reasons why your episodes always lead in terms of total downloads.

[00:02:51] **Rich Larsen, CPA:** I'm very proud of that.

Current Funding for PHAs

[00:02:53] **Michael Novogradac, CPA:** So for starters, if you could describe for our listeners the current funding status of public housing authorities for their operating and capital needs.

[00:03:01] **Rich Larsen, CPA:** Sure, Mike. Now there's two parts to that question. So, so let's start with PHA operations first. Now most PHAs are in better shape financially than they have been in recent years. You know operating subsidy and admin fees have been very strong. CARES Act funding and other COVID relief efforts have really helped PHAs generate an operating surplus.

Now I would like to add a word of caution there, there. Mike, you know I've been working with PHAs for over 20 years and funding, particularly the public housing operating subsidy, is very cyclical. So what is good now may not be good tomorrow. You know, public housing subsidy is very dependent on the makeup of Congress.

So I think in my opinion, if the House of Representatives switches from Democratic to Republican in the next election, funding could be cut back significantly for public housing authorities. If you remember back in the Obama Administration, when Congress flipped, PHAs had to deal with sequestration and operating subsidy recapture.

So those reserves that housing authorities built up, they had to utilize because they weren't getting the subsidy. Now I'm not projecting that to happen again. But I do anticipate operating subsidy to be reduced over the next several years.

You know, the second part of that question, we talk about capital funding. Unfortunately, not as much has changed there for PHAs. There's not been new capital funding. You know, the primary source for PHAs to fund capital improvements is the capital fund grant program. And that has just been grossly insufficient for public housing authorities. PHA still have a capital needs backlog that remains collectively in excess of $60 billion.

[00:04:46] **Michael Novogradac, CPA:** Right. Thank you for those, words of advice or summary, if you will, of the capital needs and the operating need funding for housing authorities and the current situation and the words of warning for the future. Now, let's talk now about the Build Back Better Act. Now that was a massive legislative package which did include $156 billion, a large amount of money in housing and committee development spending.

And there was a significant portion of that that was earmarked for public housing authorities, particularly with respect to capital needs. Many housing authorities were hoping to see that infusion of public funding and public housing funding from the Build Back Better Act. There was obviously, at the end of last year, pretty high hopes for the legislation.

But as I did note and our listeners I'm sure already know, proponents of the Build Back Better Act have had to pivot their efforts either to revive the Build Back Better Act, maybe to build back better the Build Back Better Act. But they also have to be focused on other legislation. That could be an act that could include some of these additional funds.

But with that said, I would like to assume for the moment that the Build Back Better Act doesn't end up being enacted or is revised in ways that doesn't provide that additional source of public housing funding. And just assume that, public housing authorities have to operate without that additional funding.

So if you can share with the PHA listeners, as well as their investor and developer partners, other ways that PHAs can deal with their capital needs, as well as talk about how viable some of these other ways of dealing with capital needs beyond getting more direct funding from the federal government.

[00:06:39] **Rich Larsen, CPA:** Sure. A great question, Mike. So there is the long-established, mixed-finance program that PHAs can utilize and that allows public housing authorities to access private capital. But the problem with the mixed-finance program is that they have to stay in the public housing program. The revenues, the rents are still considered public housing rents to support those mixed-finance developments and most investors and developers are not comfortable with that Section 9 revenue stream.

So that is not as viable as it, as it used to be in the early days.

[00:07:17] **Michael Novogradac, CPA:** Let me ask a question there before you go on to other options beyond the mixed-finance program. Why is it that investors aren't as comfortable with the Section 9 program?

[00:07:26] **Rich Larsen, CPA:** So the Section 9 program gets an annual appropriation. That's where the rents are generated from. The operating subsidy is generated from the annual appropriation from Congress. So as appropriations go up, subsidy goes up. As appropriations go down, subsidy goes down, so annually you may get 85% of what you need or 92% of what you need or a 100% of what you need depending on the appropriation from Congress. And so it's very hard for developers and syndicators to budget with such an inconsistent formula and an inconsistent revenue stream.

[00:08:08] **Michael Novogradac, CPA:** Yeah, that makes sense.

[00:08:10] **Rich Larsen, CPA:** So there's also some grants out there. There's Choice Neighborhood Grants and other HUD grants that public housing authorities can utilize. But as in most grants, they're very competitive and there's no assurance that your housing authority is going to receive that award. You know, PHAs can maintain the status quo, that's an option, but sustainability relies on the capital fund allocations. As I mentioned, they really haven't been in that sufficient.

And now I have saved the best two options, I think for last, Mike. The Rental Assistance Demonstration program or the RAD program. That allows these properties to access private capital very similar to the mixed finance program, but it now allows the public housing program to be converted to a Section 8, long-term, project-based Section 8 contract.

This has been the primary vehicle over the last several years for rehab and public housing units. And then also finally, there's the Section 8 demolition disposition program. And if a public housing development meets certain criteria, proceeds from the disposition of those units can be used as a source of capital for continuing in the public housing program or as a funding source to convert to the RAD program. You know, the demo dispo program, when coupled with RAD, is a very, very viable alternative, especially for distressed public housing. As I alluded to, Mike, I think the RAD program, the Section 18 program, coupled with the RAD, have been the most viable programs in addressing these significant needs of public housing. That's for sure.

[00:10:05] **Michael Novogradac, CPA:** Rich, thank you for that overview on ways in which public housing authorities can finance their capital leads beyond relying on the Build Back Better Act, additional funding or getting that funding through some legislation.

Now for our non-public housing authority listeners, basically the developers and investors and lenders that work with public housing authorities, what are the roles or the ways in which they can help a public housing authority build their capital?

[00:10:20] **Rich Larsen, CPA:** Sure. The best option for developers and investors to partner with PHAs is, without a doubt, through HUD's RAD program. The RAD program enables private industry to participate in the rehab of public housing units through equity ownership, secured debt, long-term Section 8 rental contracts. You know, I've been involved with this program since its origination in 2012 and I've seen it not only be a sound financial investment for developers and investors, but it also makes a huge positive impact on communities.

Rental Assistance Demonstration

[00:10:55] **Michael Novogradac, CPA:** Well, then let's pivot to that subject, the Rental Assistance Demonstration program, or RAD. It was created to address the nationwide backlog of deferred maintenance for public housing, but before we go into some of the details, maybe as a level-set for our listeners who might not be as familiar with RAD, if you could describe in a bit more detail what RAD is, what it allows housing to do and ensure access to it.

[00:11:22] **Rich Larsen, CPA:** Sure. So the RAD program is a voluntary HUD program, so that is PHAs have to elect to participate.

The RAD program seeks to preserve public housing by providing PHAs a long-term Section 8 contract, as we mentioned, which is much more reliable–it's a much more reliable funding source than the annual public housing operating subsidy. And then it also provides the housing authority with the ability to make needed improvements to properties by allowing the authorities to create public private partnerships with developers to finance these needed improvements. For example, PHAs can utilize fully secured conventional debt, tax credit equity to finance capital needs. The program has been hugely successful in that as of October 2019—and that's the last time we've had some great stats because of the pandemic—over 165,000 public housing units have been converted to the Section 8 platform.

Over $12.8 billion has been raised from numerous sources to improve properties and over 80% of tenants express satisfaction with their units. So it seems like it's a big win-win-win, all around.

[00:12:38] **Michael Novogradac, CPA:** It definitely has been. Now with respect to the RAD program, public housing authorities, generally speaking, fall into two different groups.

In one group, we have the public housing authorities that have never converted any public housing stock through RAD. So they have no direct RAD experience. And then the second group would be, of course, those public housing authorities have converted some or all of their public housing. So that'd be worthwhile to be addressed the groups separately.

And let's start with those housing authorities that don't have any sort of hands-on RAD experience. What advice would you give those PHAs that haven't participated in RAD to date?

[00:13:22] **Rich Larsen, CPA:** At Novogradac, as you know, Mike, we've hosted two-day conferences on RAD. So there's obviously a lot that we can cover on that topic.

And in fact, if you, if you let me get in a plug here. Our next conference is May 5-6 in Philadelphia. But in order to put it simply, I'll answer your question in a simple format, because obviously we have time constraints here. So PHAs, when considering RAD, first and foremost need to evaluate their overall financial health and in its basic form, it's how much need do we have?

And when I say need, how much capital needs do we have? And you have to have a 20-year capital needs schedule prepared so you know what you have to fund. And then the second part of that is actually how much money do we have? And when I talk about that, I'm really talking about what is the potential income you're going to generate from RAD rents over the next 20 years. And so when you take how much need you have, then how much money you have, RAD provides many options then to finance that capital need within that rent structure. So that's kind of it, in its basic form. But like I said, Mike, you know, we do two-day conferences on all the intricacies of this program, so I do encourage listeners to look at some of our webinars or attend the conference.

[00:14:46] **Michael Novogradac, CPA:** And do you have any thoughts on the housing authorities that you've worked with on RAD for the first time, what the housing authorities thought after they went through their first RAD transaction?

[00:14:59] **Rich Larsen, CPA:** So. I had a lot of, dozens of, housing authorities have successively converted to RAD, and it's been a very, very positive experience for all of them.

Obviously, they all don't work out a 100% the way they prefer. Some generate more cashflow than others, but generally getting out of the regulation of public housing, executive directors and board members being able to operate their public housing authority without that added burden of regulation and trying to fulfill their mission generating funds that are unrestricted, it's been an overall incredibly positive experience for housing authorities and for residents of public housing authorities. They're getting brand new units in essence and projects and buildings that were in need of repair have been fully repaired.

[00:15:58] **Michael Novogradac, CPA:** That's great to hear. So now let's turn to public housing authorities that have experience with RAD.

What advice would you give to those public housing authorities right now?

[00:16:08] **Rich Larsen, CPA:** So, for PHAs that have already converted, the most important thing is to maintain compliance with your RAD use agreement in operating your property. That's the most important thing. You're making your deposits to your reserve replacement account and you're servicing your tenants and so forth.

Assuming that's the case, PHAs should monitor a few items, a few really important items when operating a RAD property: OCAF adjustments, your operating cost adjustment factor adjustments to contract rents should be made annually, that's your annual increase to your rent. That'll enable you to maximize your rents on the property.

Another thing is distribution of available cash computations should be made annually to determine the amount of payments to owners for incentive management fees, developer fees, asset management fees and so forth ... loan repayments. You know, housing authorities really want to take advantage of the cash flows that these RAD deals can generate.

And, you know, I want to reiterate, it's not like generating cashflow within a public housing program. This cashflow can go to support the general operations of the authority. They're generally unrestricted.

[00:17:21] **Michael Novogradac, CPA:** Some unrestricted cash flow is I'm sure, one of many positives using the RAD program. So I know that in communication with HUD, you and I have discussed how you've learned that HUD has a growing focus on RAD audit issues, that it's an important focus area for HUD and as a consequence that makes it a hot topic for public housing authorities.

And I do thank you for working on that article in this month's Novogradac Journal of Tax Credits on RAD audits. So could you share with our listeners what they should be thinking about those that have been involved in the RAD program? What they need to know about the potential for RAD audits?

[00:18:02] **Rich Larsen, CPA:** Sure Mike, it's a very, very big issue in the public housing industry right now. So right now, HUD has three major areas of concern with PHAs that have converted through RAD. The high-risk audit areas are really as follows and there's three areas.

The first is the independent entity requirements. So for PHA-owned properties, for when a public housing authority continues to own a property after a RAD conversion, the PHA needs to hire an independent entity to perform certain functions, you know, rent reasonableness calculations and HQS inspections and so forth to avoid conflicts of interest because now the PHA is the landlord and they're also administering the HAP contract. So they're on both sides of the transaction. So they really need to hire an independent entity to do certain things. So many PHAs, they understand that requirement. And so they'll utilize an affiliate nonprofit for these services.

And many times, though, that entity doesn't meet the requirements of an independent entity. The housing authority thinks that it does, but in reality, it doesn't meet HUD's requirements for an independent entity. For example, an independent entity cannot be controlled by the public housing authority through contract or through governance. So you can't have a majority of the board members and you can't have a contract to manage that nonprofit entity or you fail those independent entity requirements.

Another hot audit topic is the public housing program closeout. So if, if you convert your entire public housing portfolio through RAD, public housing authorities need to formally close out the public housing program with HUD.

HUD has published Notice 2019-013, which provides instructions on that process. And we've seen a lot of housing authorities that haven't done this and I guess an improper closeout could result in future RAD income and I've talked about that future RAD income being non-federal. Well, if you don't properly close out your housing authority or your public housing, that future RAD income could be deemed federal funds and restricted then to its use.

And finally, Mike, a cost allocation plan is also a very, very big audit topic for HUD. So once PHAs are no longer in HUD's asset management program, they need to be able to properly allocate costs among the various RAD entities. Improper cost allocation results and unallowable costs and funds being owed back to HUD.

And HUD's position on this is really kind of simple. It you're not properly allocating costs among all your programs, then you could be overcharging one of your HUD programs, whether it be a voucher program, a Section 8 mod rehab program, the CDBG program. And so they want, they're going to start reviewing that because in what they're seeing, housing authorities are not properly allocating costs across all their programs.

[00:21:12] **Michael Novogradac, CPA:** Great, thank you for that overview. And obviously our listeners can reach out to you if they have additional questions. We'll have you share your address in a bit, but I wanted to stay on this subject of RAD, but go in slightly different direction related to a maybe not-so-recent HUD regulation, but you know, a development last year.

And that was when HUD issued Faircloth-to-RAD guidance. You were on Tax Credit Tuesday last June, where we did discuss Faircloth-to-RAD options for public housing authorities. But I wanted you to take a moment to brief our listeners, both public housing authority, investor, developer, listeners, on what Faircloth-to-RAD is. We hear a lot about it, but if you could just give a brief overview for our listeners.

[00:22:00] **Rich Larsen, CPA:** Sure. So, so the Faircloth-to-RAD regulations permit public housing authorities that have available public housing unit capacity, or they call it a Faircloth authority, that they can utilize HUD's established mixed-finance program that we talked about a little while ago to create new public housing units.

Though that automatically gets converted to the Section 8 platform through RAD. So there, they're going to utilize this existing process that the many consultants and housing authorities are familiar with in order to create new units. Now, I got to say, for communities that are struggling to fill affordable housing need, this could be the answer.

You know, HUD does publish a listing of public housing and their existing Faircloth authority. So there are over 220,000 new Faircloth units that can be built nationwide.

[00:22:58] **Michael Novogradac, CPA:** And correct me if I'm wrong here, or you can expand on it. But the Faircloth limit was basically a limit as to how many public housing units a particular public housing authority could have. And since that limit was put in place, there are many housing authorities that are operating below their Faircloth authority. So essentially, it's a way in which housing authorities can increase the amount of public housing units that they manage and they convert those public housing units into a RAD Section 8 housing funded unit. Is that a reasonable summary?

[00:23:37] **Rich Larsen, CPA:** That is an excellent summary, Mike, you got it.

[00:23:41] **Michael Novogradac, CPA:** All right. So now that we have a grounding, if you will, level setting of what the Faircloth limits are and Faircloth-to-RAD program availability, what are the Faircloth-to-RAD options?

[00:23:54] **Rich Larsen, CPA:** Sure. So the first thing that a PHA needs to do is they need to determine what is their authority and what kind of capacity do they have?

And that's really a simple calculation. HUD has published, as I mentioned, a list of every housing authority and what their Faircloth authority is. What were they capped at back in 1999 when the law passed? And so you can take that number right from the HUD website. And all you have to do is then look at what you're operating now. So if you're Faircloth authority is a 1,000 units and you've lost 200 units over the years through disposition through disrepair or taking them offline. You've lost 200 units. You're now operating at 800 units. So then you now have the ability to finance the acquisition of 200 more units through the RAD program.

So that in itself is not new that housing authorities could create new affordable housing, but there was no method for them to do it. And so the RAD program, the Faircloth-to-RAD, gives them the ability to actually go out into the private market, pair with developers and then get the long-term Section 8 contract, which is available now.

Now PHAs can utilize their vacant land. They can utilize abandoned buildings to create new affordable housing. And then PHAs can also acquire land through a developer or another government agency to create affordable housing. I know some of our clients have the local government that has some available property that they're transferring to the housing authority for this Faircloth-to-RAD conversion.

[00:25:40] **Michael Novogradac, CPA:** So if I'm a nonprofit or for-profit developer interested in working with a public housing authority and using this Faircloth-to-RAD, what are some of the first steps that I should take?

[00:25:52] **Rich Larsen, CPA:** Well, the most important thing is really, you want to save time, you want to be efficient. And so you really want to know what is the Faircloth authority for each PHA.

And as I said, you can get that off the HUD website and then you really want to have a basic plan to develop new units. You know, I don't mean to have it turnkey ready, but just having available property may be of great interest to a PHA and, approaching that PHA with the concept may be all that they need because they have the available units.

They have the ability to do this and you have the property, it could be a perfect match going forward.

Year 15

[00:26:35] **Michael Novogradac, CPA:** That's great advice. So now I want to move on to our next hot topic for public housing authorities right now. And that is what we commonly referred to within the low-income housing tax credit as Year 15. As you know, and many of our listeners know, Year 15 refers to the end of the initial 15-year compliance period for low-income housing tax credit properties.

And we had an entire podcast episode dedicated to the Year 15 issues this last September. And I would encourage our listeners who may have missed that episode to check it out on our podcast page at www.novoco.com/podcast.

But for today's podcast, I wanted to specifically focus on how Year 15 relates to public housing authorities. For our purposes of our discussion today, and so that our listeners understand, the Year 15 is generally going to relate mostly to mixed-finance developments involving public housing authorities. And that's because the RAD program is new enough that RAD-converted properties using low-income housing tax credits aren't yet at Year 15. But with respect to the mixed-finance low-income housing tax credit transactions that are at Year 15, public housing authorities may have an opportunity to reacquire those properties were previously financed in part with the low-income housing tax credits. And then obviously as part of that reacquisition they might even be able to resyndicate them with RAD, but they're mixed finance transactions. So maybe Rich, you could briefly outline for our listeners what opportunities are available to PHAs with respect to these Year 15 properties.

[00:28:22] **Rich Larsen, CPA:** Thanks Mike. Sure. You know, and as you mentioned, Mike, many PHAs will have that option to reacquire their Section 9 properties. And this presents a unique opportunity for the PHA, for the original developer, for the investor to participate in the resyndication of the property, to a much more stable, economically viable Section 8 platform, to the RAD program and PHAs really need to understand their rights under these mixed finance development.

You know, many of these agreements are well over a decade old, some now are 15, 20 years old, so there may be no one at the PHA familiar with it. So you really need to have experienced professionals assist in this evaluation.

[00:29:11] **Michael Novogradac, CPA:** And thank you for that. And I will note that, generally speaking, public housing authorities may have a right to acquire the property at fair market value, an option to acquire the property at fair market value. They might also have a right of refusal to acquire the property if the property is put up for sale. The rights of first refusal and options or different things, different legal rights, so I just would encourage public housing authorities that have Year 15 properties to go back and listen to that prior podcast and get a good understanding as to what their rights are at the end of Year 15 and what they aren't. And are there other considerations that you can share?

[00:29:59] **Rich Larsen, CPA:** What we tell our clients, obviously that are entering into these tax credit deals now is you really needed to consider Year 15 at the onset of the development and in the beginning of the Year 1 and prior to Year 1. And it'll be a smooth transition at Year 15. So hopefully a lot of our PHA clients did that 15, 20 years ago. But as you mentioned, Mike, you know, the PHA really needs to prepare to execute on Year 15 well before the 15th year rolls around and you mentioned there may be time limits on executing certain options and rights, and the PHA has to do due diligence.

Due diligence may take a couple of years. You have to get property appraisals on the property you're going to reacquire. You may have to acquire your financing for resyndication. So there's a lot of things that, that go into executing on Year 15 and what my advice is, is always, let's start that process in Year 12 or Year 13, so we don't miss any deadlines.

And like I said, that the tough part is a lot of times the executive director, the director of planning, were not around when these deals were made. So it's really getting familiar with your options and your rights under these agreements.

Action Items to Consider

[00:31:14] **Michael Novogradac, CPA:** That's an excellent point about starting in Year 12 or 13 because you don't want to lose any rights that you have and you do have to plan and you can't wait until Year 15, just reviewing all the agreements and having discussions with your investors and your lenders and all the different parties involved. That's right. So as we're getting ready to wrap up this episode, I've thought it'd be useful, Rich, if you could share some key action items for public housing authorities as they consider 2022.

[00:31:48] **Rich Larsen, CPA:** Sure. So if a public housing authority executive director–not to put a damper on things because I know operating funding has been, as I mentioned, has been pretty good–I would prepare for future budget shortfalls.

My gut tells me, as I said, I've been in this for years that we may have some cutbacks coming. And so what you want to do is you really want to maximize your reserves held outside of federal programs and outside the reach of HUD, the recapture of HUD. So that's one thing. And I think utilizing technology. You know, one of the things that that COVID gave us is housing authorities doing a great job of adapting to technology and utilizing technology to make their operations much more efficient. And technology purchased through the CARES Act. We should be utilizing that going forward, tenants paying rent, online tenant interviews and briefings done through Zoom, all those things that that housing authorities did during COVID and the pandemic they should push that forward and think outside the box and how can I use all this technology to continue to make my operations more efficient?

[00:33:11] **Michael Novogradac, CPA:** That's a great advice. I mean, that is one thing that the pandemic has led is a lot more use of technology and forcing us to do things, which in many ways, I think we're finding is more efficient.

Going and continue to read those practices is great advice. So Rich, thank you for sharing your insights with our listeners today. We've obviously only begun to scratch the surface of these issues during the podcast. So I know that many listeners will want to contact you for more information and assistance with their own property housing authorities.

So I'd ask that you share your email address and join listeners. I'll also include your contact information in the show notes.

[00:33:58] **Rich Larsen, CPA:** My email is Rich.Larsen@novoco.com. So thanks, Mike.

[00:34:10] **Michael Novogradac, CPA:** Great. Thank you, Rich. And please do stick around for our Off-Mike segment of the podcast, where I get to ask you some off-topic words of wisdom for our listeners.

To our listeners, please be sure to tune into next week's episode of Tax Credit Tuesday. I'm going to have my partner, Brad Elphick joining. He was previously on the podcast and he’s going to discuss generally accepted accounting principles, or GAAP, for tax credit transactions. And you might be thinking, why do I want to listen to that episode dealing with GAAP issues, accounting issues? It seems like this is a tax credit podcast, not a generally accepted accounting principles podcast.

Well, the short answer to that question is that the Emerging Issues Task Force, which is an organization formed by the Financial Accounting Standards Board, is considering expanding the accounting treatments that low-income housing tax credits get to use to other tax credit investors. And if you're a developer, you know that the appealing treatment for tax credit investments can impact the amount and the desire of investors to invest in tax credit transactions. So it's a podcast that you will definitely want to be listening to, to get an update as to where the Emerging Issues Task Force stands on that.

And I mentioned that the existing guidance for low-income housing tax credit investors is favorable for tax credit accounting and the Emerging Issues Task Force isn't just thinking about expanding that treatment to other tax credit investors like renewable energy storage tax credits, historic tax credits, new market tax credits. But they're also thinking of loosening the application of this guidance for low-income housing tax credits. So, however you participate in tax credit transaction, this will be an important podcast to listened to, to see how the investor market landscape could change over time. So in short, please join us next week so you get an update and I also encourage you to share this upcoming podcast with your business associates.

And as I say, every week, you can be sure that you're notified of that episode and each week's episode by following or subscribing to Tax Credit Tuesday. Go to www.novoco.com/podcast where you can subscribe to and stream the show on our website. And you can also follow or subscribe to Tax Credit Tuesday on iTunes, Spotify, Google Podcast, Stitcher, and Radio Public.

And if you enjoy the podcast, please give a review. And that helps others find the podcast.

Off-Mike

So now, I'm pleased to reach our Off-Mike section, where the listeners get some off-topic advice, and words of wisdom from our podcast guests. So Rich, no pressure here. You are our first Tax Credit Tuesday guest of 2022. And since it is the early 2022, I'm sure many of our listeners are working on some New Year's resolutions and productivity goals as they start off the new year.

So I thought I'd start by asking you to share one habit that you think listeners could consider adding to their daily routines to enhance their productivity.

[00:37:26] **Rich Larsen, CPA:** You know Mike, I have found that I'm the most productive when I'm prepared. And that might sound kind of an obvious statement, but whether I'm prepared for my day or for my week, I am the most productive.

So what I like to do is, is on a Sunday night, I like to pop open my laptop. And it's great now with technology, I don't have to come to the office, because I used to always go to the office on a Sunday night because I was worked local. But I'll pop my computer open on a Sunday night, even early on a Monday morning, and just kind of go through my schedule, go through my calendar, who are my meetings going to be with and just make sure I am well prepared for those meetings and for my week. That sounds kind of simple. That works for me now.

[00:38:08] **Michael Novogradac, CPA:** That's a very good advice and I do wonder how much when you do that and you think, and you visualize what your schedule going to be for the course of the week., you know how much work you do subconsciously, right? Yeah. That you're not even sort of aware of that you're sort of doing in terms of kind of helping organize and prepare.

[00:38:31] **Rich Larsen, CPA:** Especially with new client meetings or for people listening to customer meetings. You only make a first impression once and you always want to be prepared whether doing a little research on that business or that public housing authority or that developer investor. I think it pays off in the end.

[00:38:51] **Michael Novogradac, CPA:** Second of my three questions for you is if you have a favorite health or wellness tip.

[00:38:59] **Rich Larsen, CPA:** That's a, that's a tough one. So, so before COVID and the pandemic, I figure out everything is before or after COVID, I was very active playing basketball, playing racquetball. Those, those were really my favorite things to do. Then the pandemic hit and like I kind of didn't do anything for about a year, just because they were shut down, basketball and racquetball was shut down. And so my two sons got on me to start getting active and get out of the house. And so now I got back into playing golf and walking. And so I think, staying active is the most important thing, you know, especially someone like myself.

I'm about 54 years. So I think staying active, no matter how busy you are at work, you think you really need time to just do something for yourself. Like I said, whether it be walking or hitting a golf ball or something like that.

[00:39:54] **Michael Novogradac, CPA:** That's good advice because I definitely found I'm a big Fitbit user. I definitely found my steps went down dramatically when I started working from home. I didn't have the steps of just going to the office and the rest. I myself had to focus a little bit more on, you know, walking and running and getting other types of exercise. So we can close out this podcast. And my third question for you is the best professional advice that you've ever received. No pressure.

[00:40:32] **Rich Larsen, CPA:** This was really very recent advice just in talking to some colleagues and it really is maintaining a personal connection with people. And I think it's become so hard. It hasn't become hard, I think we've become more lazy with the technology that we have. You know, we've got email, text messages, IMs now and that gets very impersonal and I don't want to just be the client's auditor, you know, I want to be more than that or their accountant, Wouldn't you want to be their confidant, their consultant and someone who they talk to about what's going on in their housing authority or in their business?

And I think you lose that when you're just emailing clients and text messaging and saying, "Hey, we need this. We need that to finish our work." I think there's no substitute for a lunch meeting or a phone call in building relationships with people. And I think that's just something we've I talked about with someone probably within the last six months is just how to maintain that personal connection during COVID and with this burst of technology now that everybody's using.

[00:41:41] **Michael Novogradac, CPA:** That's great advice, too. It kind of builds off of the health tip of walking is the other part about the pandemic is it definitely led to a lot of Zoom meetings, which are great. And if there's a lot of benefits to it, and a lot of times where that's effective, but it means you end up losing some of what you gain from meeting people in person.

And that's been nice that when we've been able to have our conferences in person to be able to have more of those personal interactions and it will be nice for we're past the pandemic and it won't be quite as challenging. And hopefully it doesn't become too reliant on Zoom or Teams or whatever your video conferencing technology of choice is.

[00:42:32] **Rich Larsen, CPA:** Yeah. I couldn't agree more, Mike. That's a well taken point.

[00:42:38] **Michael Novogradac, CPA:** Very good. Thanks for joining us and particularly for this little bonus section, Rich. And to our listeners, we'll talk to you next week.

Additional Resources

Email

Rich Larsen

"PHAs Prepare for a (Possibly) Transformational Year: Five Actions to Consider," Novogradac Journal of Tax Credits, January 2022

Novogradac 2022 RAD Public Housing Conference