



In this week's Tax Credit Tuesday Podcast, Michael J. Novogradac, CPA, shares some updates on HUD's Rental Assistance Demonstration program. Then, he discusses HUD's rent reform proposals, as well two congressional hearings and what is known about the recent Republican House member retirement that creates a vacancy on the House Ways and Means Committee. After that, he shares some good news from Wisconsin about the state historic tax credit. And he closes out with some renewable energy news on to the Protecting American Solar Jobs Act (H.R. 5571), a bill to repeal the 30 percent solar tariff.

Summaries of each topic:

1. General News (02:18-12:05) Pages 2 – 5
 - a. RAD Update (02:18-05:35)
 - b. HUD Rent Reform (05:36-08:46)
 - c. Tax Law Hearing (08:47-10:19)
 - d. THUD Hearing on FHA (10:20-11:22)
 - e. Meehan Resignation (11:23-12:04)
2. Other News (12:05-14:22) Page 6
3. Related Resources Page 7

Editorial material in this transcript is for informational purposes only and should not be construed otherwise. Advice and interpretation regarding tax credits or any other material covered in this transcript can only be obtained from your tax adviser.

© Novogradac & Company LLP, 2018. All rights reserved. Reproduction of this publication in whole or in part in any form without written permission from the publisher is prohibited by law. For reprint information, please send an email to cpas@novoco.com.



GENERAL NEWS

RAD Update

- Last week, we at Novogradac hosted our first ever RAD Public Housing Conference in Philadelphia.
- We were honored to have as a keynote speaker Tom Davis, the director of the Office of Recapitalization at HUD.
 - The Office of Recapitalization at HUD oversees the Rental Assistance Demonstration, or RAD, program.
- Davis talked a lot about how the RAD program continues to evolve.
- Part of that is the growth in volume.
 - The recent omnibus spending legislation boosted the cap for the RAD program from 225,000 to 455,000 units.
- And after he finished his keynote address, Davis told us that the program has been a collaborative work in progress since it was first launched.
- Here he is in his own words:
 - *So since the program was created in 2012 we've really been sort of constantly looking for ways to improve the program.*
 - *A lot of the improvements have been as the result of good ideas that have come from housing authorities and their development teams that have been figuring ways to stretch their dollars, figuring ways to take better advantage of the resources they have available.*
 - *We're constantly soliciting ideas on that score, trying to think of ways we can tweak the program to make it more impactful and more effective.*
 - *And we've also made a lot of improvements learned from the lessons of the early transactions and made the improvements on how we do the work.*
- Davis said there have been 316,000 units reserved so far and 90,000 of those are from the past year.
- He also highlighted the importance of making sure the RAD experience is a positive one for residents.
 - *A lot of enhancements in the resident protections and ways that the program takes care of ensuring that the residents who were there before the project can come back and ensuring that they are treated properly with respect to relocation and that their right of return is respected.*
- Davis said that public housing agencies, investors and developers continue to learn more about RAD and that he expects more guidance from the agency by late summer or early fall.
 - *The program is like any demonstration.*
 - *It's one that you want to learn from the mistakes and make better and we hope doing that pretty continuously and hope to be continuing that in the coming months as we develop the next version of the notice that governs how RAD works.*
- And with that, I want to say thanks to Tom Davis for his insights on RAD and joining us in Philadelphia.
- Now you can read more about the RAD program in my column in this month's Novogradac Journal of Tax Credits.



- In the column, I discuss how RAD has progressed and I offer a few suggestions to further improve the program.
- I've included a link to the column with today's show notes and I've also tweeted a link to it.
- Now if you have questions about the RAD program, I encourage you to reach out to a Novogradac office near you.
- If you don't know a particular person who focuses on RAD within Novogradac, I encourage you to reach out to Rich Larsen, in our Tom's River New Jersey office, or Nick Hoehn in our Austin, Texas, and El Paso, Texas, office.

HUD Rent Reform

- While we're on the subject of HUD programs, I wanted to say a bit about one of the news headlines from the past week.
- Namely, HUD rent reform.
- HUD Secretary Ben Carson last week released legislative text proposing sweeping HUD rent reforms.
- Now these changes would affect public housing, Section 8, project-based rental assistance, Section 202 properties for the elderly and Section 811 properties for disabled tenants.
- One of the major changes is increasing the, what's known as, rent burden standard.
- HUD proposes increasing this rent burden standard from 30 percent to 35 percent of a household's gross monthly income.
 - Now the current 30 percent of adjusted income rent burden standard for public housing has been in place since 1981.
 - Studies have shown that if households spend more than 30 percent of their income on rent, then affording other necessities, such as food, clothing, transportation and medical care can become much more difficult.
- Now the minimum rental rate under these proposals would be about \$150 per month or \$50 per month for seniors and disabled residents.
- Now as you can imagine, housing advocates fear that the proposed rent increases will hurt housing-vulnerable families who already are struggling to make ends meet with fixed incomes.
- The proposal did mention a hardship waiver, but as you'd also expect, many are skeptical that the waiver process would be enough to protect the millions of renters who will experience rent increases.
- Under the reform proposal, the HUD secretary may establish alternative rent structures, like tiered or stepped rents and timed escrows, as long as the number of families are served are the same.
 - Now PHAs and owners may also propose alternative rent structures of their own design, subject to HUD's approval.
- Now the proposal would also give public housing agencies and owners the option to impose work requirements for those receiving housing assistance.
- Now Carson's plan is called the Making Affordable Housing Work Act of 2018.
- And at this point, the document is just a proposal in the form of legislative text.
- For the rent reforms to be enacted, a bill would need to be introduced and passed by Congress, then of course signed by the president.
- This HUD bill has not been introduced in Congress.



- That said, I will note, Republican Rep. Dennis Ross of Florida has circulated a similar discussion draft bill, on which a House subcommittee hearing was held last week.
 - Subcommittee Ranking Member Emanuel Cleaver expressed concern that Ross' bill as written could lead to large rent increases and could limit the mobility of vouchers.
 - Cleaver suggested fully implementing the Housing Opportunity through Modernization Act signed into law in 2016 rather than enact the Ross proposal.
- Now I'll be keeping an eye on out on both the Carson and Ross rent reform proposals and will provide updates in future podcasts, as warranted, as well as on Twitter.

Tax Law Hearing

- Now, let's turn briefly to two congressional hearings held last week.
- First, the Senate Finance Committee last Tuesday held a full committee hearing on initial impressions of the new tax law.
- This hearing was meant to spark discussions on what kind of technical corrections are still needed.
- Witnesses at the hearing discussed everything from the international aspects of the tax law to how the new law affects domestic businesses and individuals.
- What I do want to highlight is the opening statement of Senate Finance Committee Chairman Orrin Hatch.
- Hatch outlined some of the tax law provisions that he said are so good that all Americans can be pleased with them, no matter their political party.
- He noted the establishment of opportunity zones as an example of a good provision that draws investments into underserved communities.
- Hatch's support for opportunity zones falls in line with much of the positive feedback we've heard from legislators on the new incentive.
- Now speaking of the new tax law, the Joint Committee on Taxation's chief of staff Thomas Barthold told attendees at an NYU lecture last week that his staff has been working on technical corrections even before the new law was enacted.
- He said the Joint Committee on Taxation continues to receive input from the public and stakeholders on possible technical errors.
- Barthold said that the Joint Committee staff is also producing a Blue Book to identify some areas where technical corrections might be needed.
- Barthold said the timing of a technical corrections bill depends on when the chairmen of the tax-writing committees will want them introduced.

THUD Hearing on FHA

- Now the other hearing last week that I want to note was in the House Transportation, Housing and Urban Development or T-HUD Subcommittee.
- This hearing was on how Federal Housing Administration, or FHA, programs would be affected by HUD's fiscal year 2019 proposed budget.
- The witness was acting FHA commissioner Dana Wade.
 - Wade is also the general deputy assistant secretary for the FHA Office of Housing under HUD.
- Wade expressed support for expanding the RAD program and maintaining FHA's multifamily platform.
- And speaking of the FHA, the Senate has still not yet to confirmed the president's nominee for FHA commissioner, Brian Montgomery.



- Now reportedly, Sen. Tammy Duckworth of Illinois is holding up his nomination because of her concerns about HUD's actions to shut down the Cairo Housing Authority and its public housing without an adequate plan to take care of residents.
- I will keep you updated in future podcasts if and when that does change.

Meehan Resignation

- I now have a brief update on the House Ways and Means Committee.
- Namely, there is a new vacancy on the tax-writing House Ways and Means Committee.
- Ways and Means member Rep. Pat Meehan of Pennsylvania announced Friday, last Friday, that he's resigning from Congress.
- Rep. Meehan said he was resigning from Congress in order to end the Ethics Committee's investigation into allegations of misconduct.
- Now Meehan, earlier in January, had announced that he would not seek re-election this year.
- But with his resignation effective this Friday, the process to find a replacement for his seat in Congress, as well as on the House Ways and Means Committee has been expedited.



OTHER NEWS

- Now in other news, Wisconsin Gov. Scott Walker recently signed a bill to increase the per-project cap for the state historic tax credit (HTC) to \$3.5 million.
- That's very significant.
- It's significant in part because it was Walker who imposed a \$500,000 project cap last fall.
- For years, Wisconsin had no cap on the state credit, but pressure last year led legislators to propose a \$5 million cap.
- Now that was what was done in the state budget legislation, but Walker used his line-item veto authority to reduce that cap by essentially deleting a zero and a comma.
- If you take \$5 million and eliminate a zero and a comma, you end up with a cap of \$500,000.
- Now with this signing of this recent bill, the state HTC cap will increase to \$3.5 million starting July 1.
- I've a link to the bill in today's show notes.
- And if you have questions about the impact of this on a particular project, please reach out to my partner, Tom Boccia, in our Cleveland, Ohio, office.
- Later this week, I'll be in our San Francisco office, yes I am sometimes in San Francisco, in order to attend our Novogradac Renewable Energy Tax Credit Conference.
- As such, it's only fitting that I close this week's podcast with a renewable energy note.
- Specifically, a bipartisan group of House lawmakers introduced a bill recently to repeal the recently enacted solar tariff.
- Now the bill references data from Solar Energy Industries Association that estimates that 23,000 American jobs would be lost because of the 30 percent tariff placed on solar cells and modules.
- Now under the bill, tariffs would default back to previous rates and companies that have already imported affected solar products under the new tariff would receive retroactive reimbursement.
- If enacted, the bill would be effective retroactively to Feb. 7, 2018.
- That's the date the solar tariffs became effective.
- Now the bill is called the Protecting American Solar Jobs Act and has been referred to the House Ways and Means Committee.



RELATED RESOURCES

RAD Update

Three Ideas to Build on RAD's Success, Novogradac Journal of Tax Credits

HUD Rent Reform

Making Affordable Housing Work Act of 2018

Section-by-section bill summary

Wisconsin Historic Tax Credit

Wisconsin Senate Bill 668 to raise the state HTC per-parcel limit from \$500,000 to \$3.5 million

Solar Tariff Repeal Bill

H.R. 5571, Protecting American Solar Jobs Act

Novogradac 2018 Financing Renewable Energy Tax Credits Conference

Conference home page